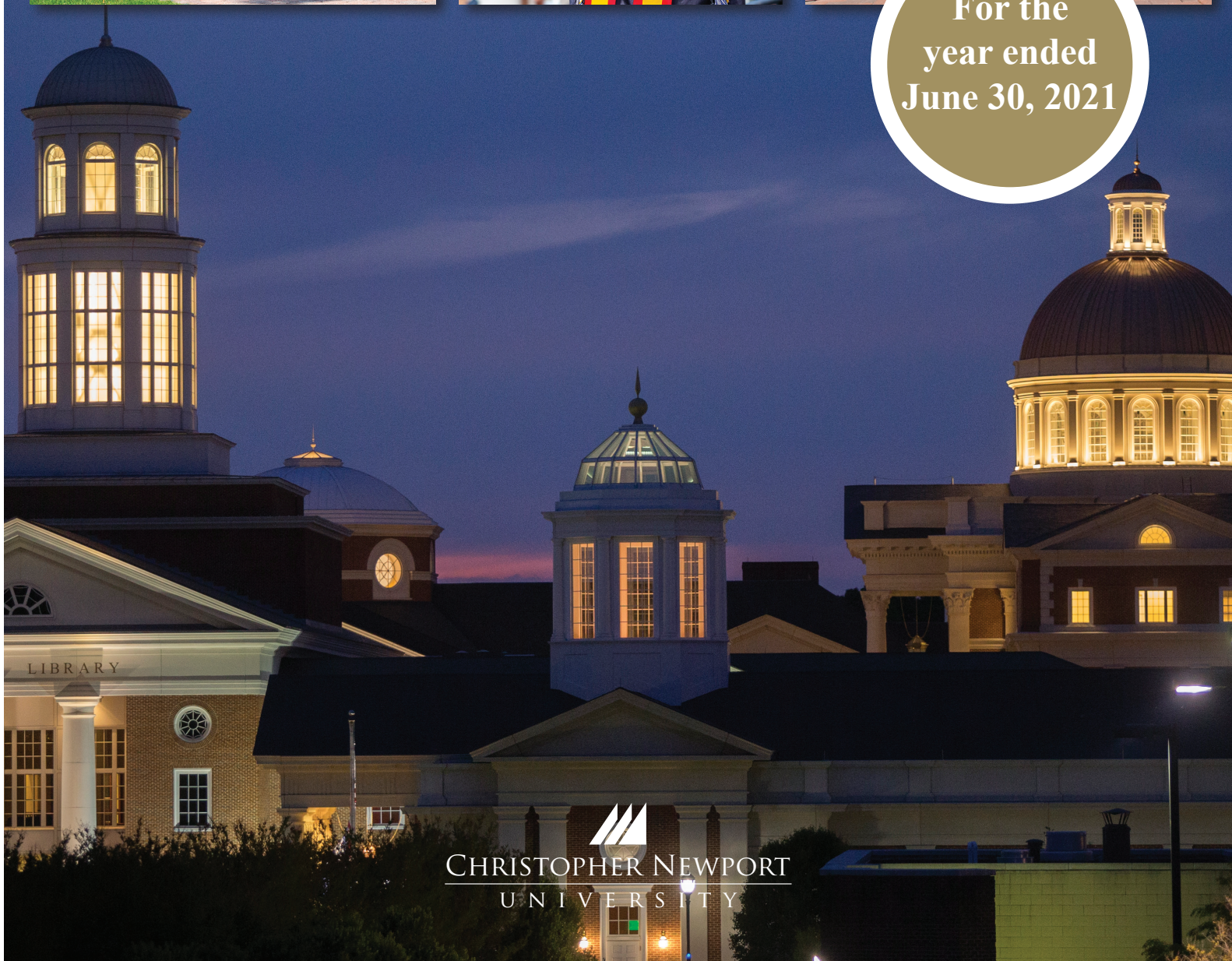


CHRISTOPHER NEWPORT UNIVERSITY

Audited Financial Statements



For the
year ended
June 30, 2021



CHRISTOPHER NEWPORT UNIVERSITY

Newport News, Virginia

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The youngest comprehensive university in the Commonwealth, Christopher Newport University was founded in 1960 as Christopher Newport College, a two-year branch of the College of William & Mary in Williamsburg, Virginia. Located in historic Hampton Roads, the institution was named for the 17th-century English mariner who helped establish the Jamestown Colony. The University became independent in 1977 and gained university status in 1992.

Today, CNU is a four-year, undergraduate liberal arts university, enrolling 5,000 students in rigorous academic programs through the College of Arts and Humanities, the College of Natural and Behavioral Sciences, and the College of Social Sciences including the Luter School of Business. CNU combines traditional liberal arts and sciences curriculum with contemporary teaching ideologies with an emphasis on growing leaders of the future.

OVERVIEW

The following Management's Discussions and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board (GASB) reporting model. It is designed to assist readers in understanding the accompanying Financial Statements and provides an objective analysis of the University's financial activities based on currently known facts, decisions, and conditions. The discussion includes an analysis of the University's financial condition and results of operations for the fiscal year ended June 30, 2021, with comparative numbers for the year ended June 30, 2020. This presentation includes highly summarized data and should be read in conjunction with the accompanying Financial Statements, Notes to Financial Statements and Required Supplemental Information. University management is responsible for all of the financial information presented, including the discussion and analysis.

The Christopher Newport University Educational and Real Estate Foundations, Inc. are component units and are included, in separate columns, in the accompanying Financial Statements and in Note 17 to the Financial Statements. However, the following discussion and analysis does not include the Foundations' financial condition and activities.

The basic financial statements for Christopher Newport University are the Statement of Net Position, the Statement of Revenues, Expenses, and Change in Net Position, and the Statement of Cash Flows. The following analysis discusses elements from the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows, as well as an overview of the University's activities.

STATEMENT OF NET POSITION

The Statement of Net Position (SNP) presents the assets, liabilities, and net position of the University as of the end of the fiscal year. The purpose of the statement is to present a snapshot of the University's financial position to the readers of the Financial Statements.

The data presented aids readers in determining the assets available to continue operations of the University. It also allows readers to determine how much the University owes to vendors, investors, and lending institutions. Finally, the SNP provides a picture of net position and their availability for expenditure by the University. Sustained increases in net position over time are one indicator of the financial health of the organization.

The University's net position is classified as follows:

- **Net investment in capital assets** – Net investment in capital assets represents the University's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. Debt incurred, but not yet expended for capital assets, is not included as a component of net investment in capital assets.
- **Restricted net position, expendable** – Expendable restricted net position includes resources the University is legally or contractually obligated to expend in accordance with restrictions imposed by external third parties.
- **Restricted net position, nonexpendable** – Nonexpendable restricted net position consists of endowment and similar type funds where donors or other outside sources have stipulated, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income to be expended or added to principal.
- **Unrestricted net position** – Unrestricted net position represents resources used for transactions relating to academic departments and general operations of the University, and may be used at the discretion of the University's Board of Visitors to meet current expenses for any lawful purpose in support of the University's primary missions. These resources are derived from student tuition and fees, state appropriations, and sales and services of auxiliary enterprises and educational departments. The auxiliary enterprises are self-supporting entities that provide services for students, faculty, and staff. Some examples of the University's auxiliaries are student residential and dining programs.

The University's assets and deferred outflows increased by \$4.5 million, or .7%, during fiscal year 2021, bringing the total assets and deferred outflows to \$624.0 million at year-end. This increase is primarily due to the increase in current assets. Current assets increased primarily due to CARES Act Higher Education Emergency Relief Funds II (HEERF) received for institutional needs. This funding was used to offset a portion of lost Auxiliary Dining revenues as a result of the pandemic. Construction in progress and capital assets are discussed in more detail on the next page. Deferred outflows of resources increased due to the deferred loss on the debt defeasance and the increase of deferral for the Virginia Retirement System (VRS) defined benefit plan, other postemployment benefit plans (OPEB) and the Department of Human Resource Management (DHRM) OPEB plans not with a trust. VRS and DHRM plans are discussed in detail in Notes to Financial Statements 11 and 12.

Liabilities and deferred inflows decreased from prior year by \$12.5 million or (5.1)%. This is a combination of the decrease in current liabilities, noncurrent liabilities and deferred inflows of resources. Current liabilities decreased primarily due to the decrease in the current portion of long-term liabilities and a decrease in unearned revenues. The decrease in current liabilities is a direct result of the Commonwealth of Virginia debt restructuring initiative, which is discussed later in the MD&A and in Note 8 of the Financial Statements. The decrease in unearned revenues relates to the University's deferral of \$2.5 million of CARES Act Funding that had not been spent in the prior fiscal year. In FY21 all CARES Act funding has been spent or awarded to students.

The decrease in noncurrent liabilities is also a direct result of the Commonwealth of Virginia debt restructuring initiative, which is discussed later in the MD&A and in Notes to the Financial Statements 8.

Deferred inflows decreased over prior year primarily due to the net difference between projected and actual investment earnings plus the change in assumptions on the Pension and OPEB plans investments.

Capital assets, debt, pension and OPEB are discussed in detail further in the MD&A as well as in the Notes to Financial Statements and the Required Supplemental Information (RSI). Note 1 of the

Notes to Financial Statements includes the summary of significant accounting policies for Capital Assets, Pension and OPEB. Note 11 discusses the Retirement (Pension) Plan and Note 12 discusses the OPEB plans, these along with the RSI disclose information on the plans available to all full-time, salaried permanent employees of the University, along with detail on net Pension or OPEB liability (asset), expense, and contributions by the University.

Condensed Statement of Net Position

For the years ended June 30, 2021 and 2020

(All dollars in millions)

			Change	Change	
	2021	2020	Amount	Percent	
Assets and Deferred Outflows:					
Current assets	\$ 52.6	\$ 48.4	\$ 4.2	8.7	%
Capital assets, net	550.1	551.3	(1.2)	(0.2)	%
Other noncurrent assets	3.6	2.9	0.7	24.1	%
Deferred outflows of resources	17.7	16.9	0.8	4.7	%
Total assets and deferred outflows	624.0	619.5	4.5	0.7	%
Liabilities and Deferred Inflows:					
Current liabilities	37.5	45.8	(8.3)	(18.1)	%
Noncurrent liabilities	183.3	185.1	(1.8)	(1.0)	%
Deferred inflows of resources	10.2	12.6	(2.4)	(19.0)	%
Total liabilities and deferred inflows	231.0	243.5	(12.5)	(5.1)	%
Net Position:					
Invested in capital assets, net	432.7	421.1	11.6	2.8	%
Restricted	1.4	1.3	0.1	7.7	%
Unrestricted	(41.2)	(46.4)	5.2	11.2	%
Total net position	\$392.9	\$376.0	\$ 16.9	4.5	%

CAPITAL ASSET AND DEBT ADMINISTRATION

One of the critical factors in ensuring the quality of the University's academic and residential life functions is the development and renewal of its capital assets. The University continues to maintain and upgrade current structures, as well as pursue opportunities for additional facilities. Investment in new structures and the upgrade of current structures serve to enrich the University's high-quality instructional programs and residential lifestyles.

The table below and Notes to the Financial Statements 4 describe the University's significant investment in capital assets with gross additions of \$74.4 million.

Capital Assets	
For the year ended June 30, 2021 (All dollars in millions)	
	Amount
Additions	
Land	\$ 0.1
Construction in progress (see table)	16.8
Buildings & other improvements	55.1
Infrastructure	0.3
Equipment, library & intangibles	2.1
	<u>\$ 74.4</u>
Reductions	
Construction in progress	\$ 57.4
Equipment, library & intangibles	0.3
Total capital asset reductions	<u>\$ 57.7</u>

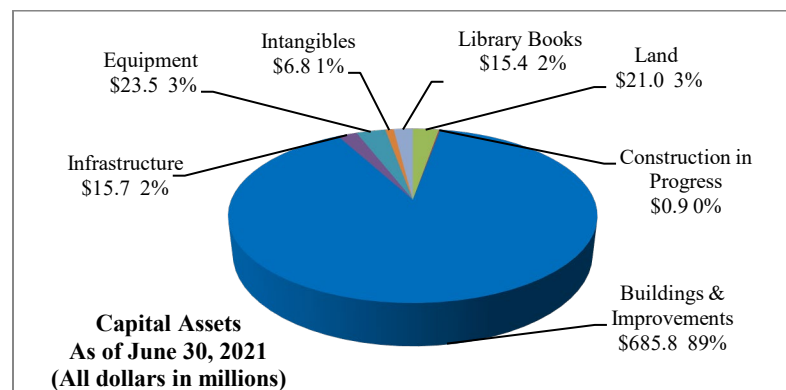
Ongoing investments in capital assets for fiscal year 2021 included additions to buildings for the Torrgler Fine Arts Center (TFAC). TFAC will house a gallery and programming space for the Newport News art museum, as well as, a lecture hall with classrooms and studios for all types of art.

Equipment, library and intangibles additions include library books, instructional, laboratory, and information technology equipment.

Construction in Progress	
For the year ended June 30, 2021 (All dollars in millions)	
	Project Amount
Plaza	\$ 0.5
Athletic Facilities II Expansion	0.1
Roof & Chiller Replacements	0.1
Central Chilled Water Plant	0.1
Miscellaneous	0.1
Total construction in progress	<u>\$ 0.9</u>

Construction in progress is detailed in the table to the right above.

Ending balances of capital assets at June 30, 2021 are presented in the graph below and total \$769.1 million before accumulated depreciation. Buildings and improvements continue to account for the majority of capital assets of the University. The majority of the costs currently in construction in progress will eventually become part of buildings and improvements once the projects are completed.



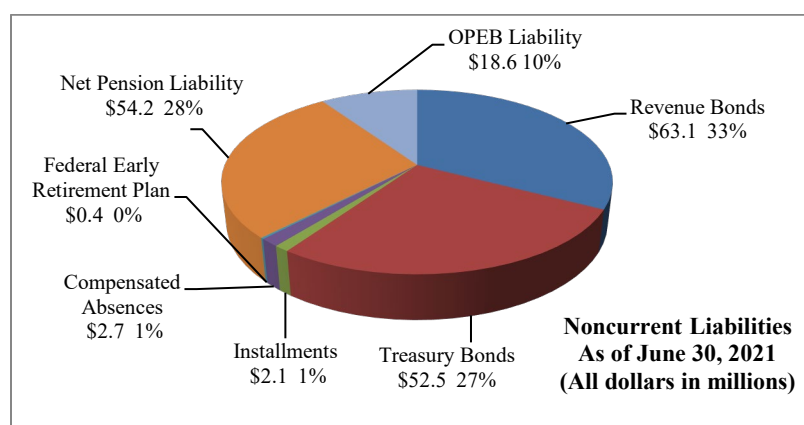
Notes 7 and 8 of the Notes to Financial Statements contain information relating to the long-term debt of the University.

In February 2021, the University participated in the debt restructuring initiative and entered into several promissory notes with the Virginia College Building Authority (VCBA) for the 9(d) Educational Facilities Revenue Refunding Bonds, Series 2021 issued by the VCBA under its Pooled Bond Program. The total principal amount was \$22.5 million, the proceeds of which were used to refund \$21.3 million of outstanding debt. Interest payments will be made semi-annually, with coupons ranging from .48 to 5.00%. Principal payments will be made annually with the final payment due September 1, 2041. The refund generated \$0.6 million in net present value savings.

In May 2021, the University participated in the debt restructuring initiative and entered into several promissory notes with the Commonwealth of Virginia for the 9(c) General Obligation Bonds, Series 2021 issued by the Commonwealth Treasury Board. The total principal amount was \$2.4 million, the proceeds of which were used to refund \$2.3 million of outstanding debt. Interest payments will be made semi-annually, with coupons ranging from 2.00 to 2.25%. Principal payments will be made annually with the final payment due June 1, 2037. The refund generated (\$0.1) million in net present value savings.

In February 2021 the University amended the Faculty Early Retirement Incentive Plan (FERIP) to provide a financial early retirement incentive for certain tenured faculty, thereby releasing tenured faculty resources for budget reallocation or reduction in accordance with University needs. Four tenured faculty took advantage of the plan that allows for an aggregate benefit payment equal up to 100% of a participant's base salary, distributed monthly over a period of two years beginning July 1, 2021. The total FERIP liability is \$0.4 million.

The decreases to long-term liabilities were due to the debt restructuring initiative and principal payments made on the outstanding debt of the University. The Pension and OPEB liabilities additions and reductions were based on the University's actuarially determined employer contributions to the pension plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. Total long-term liabilities at the end of fiscal year 2021 were \$193.6 million.



STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

In fiscal year 2021 the University had an increase in net position of \$16.9 million resulting primarily from Capital Appropriations for construction projects related to the mission of the University to enhance student success, such as the Fine Arts and Rehearsal Hall.

Operating revenues are generally received through providing goods and services to the various customers and constituencies of the University. Operating expenses are expenditures made to acquire or procure the goods and services provided in return for the operating revenues and to carry out the mission of the University. Salaries and fringe benefits for faculty and staff are the largest type of operating expenses. Non-operating revenues are revenues received for which goods and services are not directly provided. State appropriations included in this category provide substantial support for paying operating expenses of the University. Therefore, the University, like most public institutions, will expect to show an operating loss.

Per the University's Mission Statement, our primary focus is excellence in teaching, inspired by sound scholarship. At CNU, personal attention in small classes creates a student-centered environment where creativity and excellence can flourish. First, second and third year students are required to live on campus. The University feels that students who live on campus statistically achieve higher academic success, are more engaged with faculty, more connected with campus, more likely to return for a second year, and go on to graduate. Operating and non-operating activities creating changes in the University's total net position are presented in the *Statement of Revenues, Expenses, and Changes in Net Position*. The purpose of this statement is to present all revenues received and accrued, all expenses paid and accrued, gains or losses from investments and capital assets.

Summary of the Statement of Revenues, Expenses, and Changes in Net Position					
For the years ended June 30, 2021 and 2020					
(All dollars in millions)					
	2021	2020	Change Amount	Change Percent	
Operating revenues	\$ 110.2	\$ 116.9	\$ (6.7)	(5.7)	%
Operating expenses	162.9	158.5	4.4	2.8	%
Operating loss	(52.7)	(41.6)	(11.1)	(26.7)	%
Non-operating revenues, net	52.3	41.2	11.1	26.9	%
Net other revenues (expenses)	17.3	30.7	(13.4)	(43.6)	%
Increase in net position	16.9	30.3	(13.4)	(44.2)	%
Net position beginning of the year	376.0	345.7	30.3	8.8	%
Net position end of year	<u>\$ 392.9</u>	<u>\$ 376.0</u>	<u>\$ 16.9</u>	4.5	%

OPERATING REVENUES

Total operating revenues decreased by \$6.7 million, or 5.7%, from the prior fiscal year due to the decrease in housing and dining fees to students due to the pandemic.

Summary of Revenues					
For the years ended June 30, 2021 and 2020					
(All dollars in millions)					
	2021	2020	Change Amount	Change Percent	
Operating revenues					
Student tuition and fees, net	\$ 42.8	\$ 42.5	\$ 0.3	0.7	%
Grants and contracts	2.0	2.0	-	-	%
Auxiliary enterprises, net	61.7	69.0	(7.3)	(10.6)	%
Other operating revenue	3.7	3.4	0.3	8.8	%
Total operating revenue	110.2	116.9	(6.7)	(5.7)	%
Non-operating revenues					
State appropriations	39.9	39.4	0.5	1.3	%
Federal financial aid	5.8	3.1	2.7	87.1	%
Federal revenues	6.8	0.7	6.1	871.4	%
Other non-operating revenue*	3.4	3.0	0.4	13.3	%
Total non-operating revenue	55.9	46.2	9.7	21.0	%
Other revenue					
Capital appropriations	17.3	30.7	(13.4)	(43.6)	%
Capital gifts and grants	-	0.1	(0.1)	(100.0)	%
Total other revenue	17.3	30.8	(13.5)	(43.8)	%
Total revenue	\$ 183.4	\$ 193.9	\$ (10.5)	(5.4)	%
* Includes gifts, investment income, and other non-operating revenue.					

NON-OPERATING REVENUES

Total non-operating revenues increased by \$9.7 million. This increase is primarily due to the CARES Act federal revenues received to support additional expenses and partially offset loss of revenues due to the pandemic.

OTHER REVENUE

Other revenue decreased by \$13.5 million from prior fiscal year due to the decrease in the need for capital appropriations for the Fine Arts and Rehearsal Hall.

TOTAL EXPENSES

The expenses of the University are also separated into operating and non-operating expenses. The operating expenses are presented in the Financial Statements by function.

OPERATING EXPENSES

Total operating expenses for the fiscal year totaled \$162.9 million, up \$4.3 million from fiscal year 2020. The net change resulted primarily from increased expenses to support the university effort in protecting, testing and vaccinating faculty, staff and students from the pandemic.

NON-OPERATING EXPENSES

Non-operating expenses consist of losses on disposal of capital assets and interest paid on capital-related debt.

Summary of Expenses					
For the years ended June 30, 2021 and 2020					
(All dollars in millions)					
	2021	2020	Change Amount	Change Percent	
Operating expenses					
Instruction	\$ 38.8	\$ 38.6	\$ 0.2	0.5	%
Research	1.9	2.0	(0.1)	(5.0)	%
Academic support	11.5	11.1	0.4	3.6	%
Student services	7.6	8.3	(0.7)	(8.4)	%
Institutional support	15.5	11.4	4.1	36.0	%
Operation & maintenance of plant	10.7	11.2	(0.5)	(4.5)	%
Depreciation	18.2	18.0	0.2	1.1	%
Student aid	3.5	3.0	0.5	16.7	%
Auxiliary enterprises	55.2	55.0	0.2	0.4	%
Total operating expenses	162.9	158.6	4.3	2.7	%
Non-operating expenses					
Interest on capital asset related debt	3.6	4.6	(1.0)	(21.7)	%
Other non-operating expenses and loss on disposal of plant assets	-	0.3	(0.3)	(100.0)	%
Total non-operating expenses	3.6	4.9	(1.3)	(26.5)	%
Total expenses	\$ 166.5	\$ 163.5	\$ 3.0	1.8	%

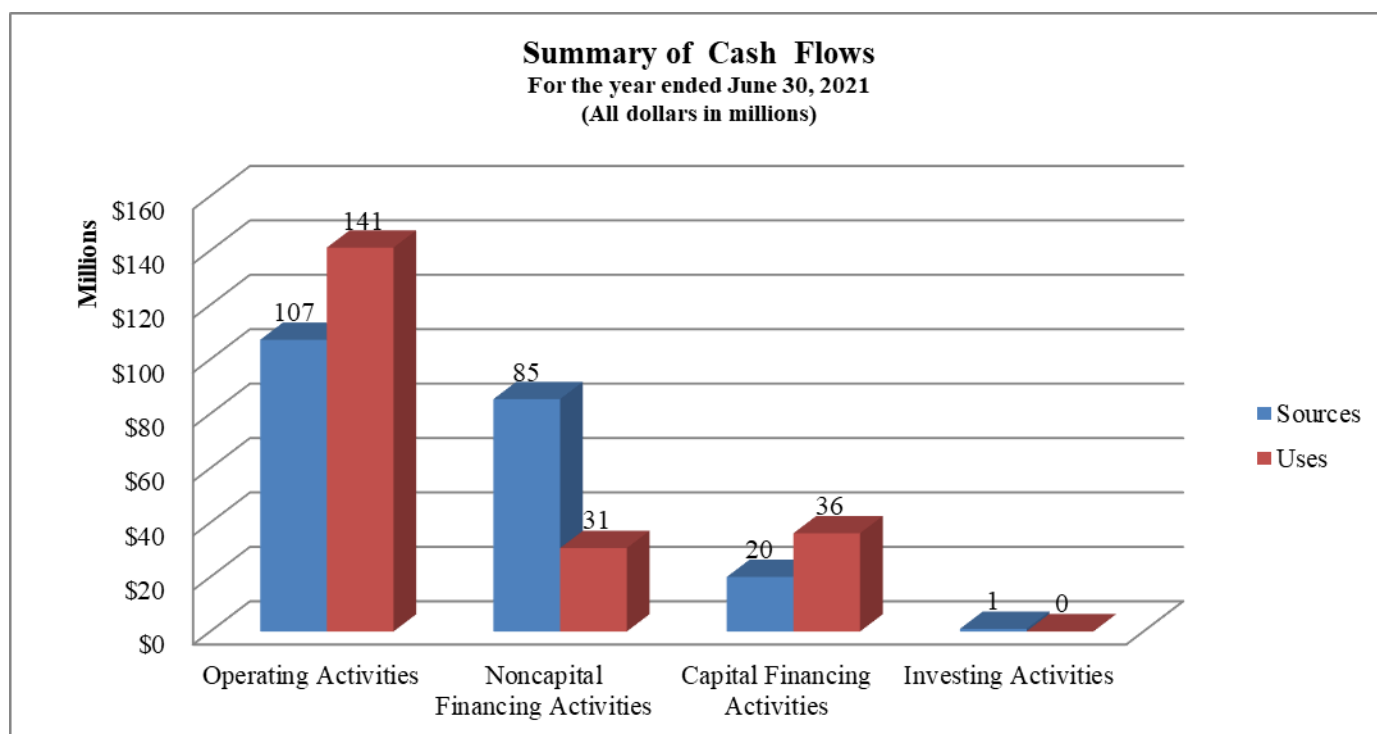
STATEMENT OF CASH FLOWS

The *Statement of Cash Flows* presents detailed information about the cash activity of the University during the year. Cash flows from operating activities will always be different from the operating loss on the *Statement of Revenues, Expenses, and Changes in Net Position* (SRECNP). This difference occurs because the SRECNP is prepared on the accrual basis of accounting and includes noncash items, such as depreciation expenses, whereas the *Statement of Cash Flows* presents cash inflows and outflows without regard to accrual items. The *Statement of Cash Flows* should help readers assess the ability of an institution to generate sufficient cash flows necessary to meet its obligations.

The statement is divided into five sections:

- *Cash flows from operating activities* deals with operating cash flows and shows net cash used by the operating activities of the University.
- *Cash flows from noncapital financing activities* reflects cash received and disbursed for purposes other than operating, investing, and capital financing. GASB requires that general appropriations from the Commonwealth be shown as cash flows from noncapital financing activities. Since state appropriations are used to cover the operating expenses of the University, net cash should always be used by operating activities and provided by noncapital financing activities.
- *Cash flows from capital financing activities* presents cash used for the acquisition and construction of capital and related items. Plant funds and related long-term debt activities (except depreciation and amortization), as well as capital appropriations, are included in cash flows from capital financing activities.
- *Cash flows from investing activities* reflects the cash flows generated from investments, including purchases, proceeds, and interest.
- The last section reconciles the operating loss reflected on the *Statement of Revenues, Expenses, and Changes in Net Position* to the net cash used by operating activities.

Summary of Cash Flows					
For the years ended June 30, 2021 and 2020					
(All dollars in millions)					
	2021	2020	Change Amount	Change Percent	
Net cash provided/(used) by operating activities	\$ (33.9)	\$ (22.5)	\$ (11.4)	(50.7)	%
Net cash provided/(used) by noncapital activities	54.8	44.7	10.1	22.6	%
Net cash provided/(used) by capital and related financing activities	(16.1)	(18.4)	2.3	12.5	%
Net cash provided/(used) by investing activities	0.9	1.4	(0.5)	(35.7)	%
Net increase (decrease) in cash and cash equivalents	5.7	5.2	0.5	9.6	%
Cash and cash equivalents - beginning of year	38.1	32.9	5.2	15.8	%
Cash and cash equivalents - end of year	\$ 43.8	\$ 38.1	\$ 5.7	15.0	%



The University ended 2021 with cash and cash equivalents of \$43.8 million, a net increase in cash of \$5.7 million from prior fiscal year.

Net cash used by operating activities was \$33.9 million. The primary sources of cash from operating activities was \$60.8 million from Auxiliary services and \$41.9 million from student tuition and fees. The primary uses of cash from operating activities were payments to employees for salaries, wages and fringe benefits of \$86.5 million and payments for services and supplies of \$44.2 million.

Noncapital financing activities had net cash provided of \$54.8 million. The primary sources of cash from noncapital financing activities consisted of state appropriations of \$39.9 million, federal student financial aid of \$5.8 million, federal revenue of \$6.4 million primarily from the CARES Act funding and gifts and grants of \$2.9 million for unrestricted contributions.

Net cash used by capital financing activities was \$16.1 million. The primary source of cash from capital financing \$18.5 million from capital appropriations and \$1.5 million from capital financing. Primary uses of cash from capital financing activities were for the purchase of capital assets of \$18.5 million and the principal and interest payments on debt of \$12.5 million and \$5.2 million, respectively.

Net cash provided by investing activities was \$0.9 million which is a decrease from prior year. Increases of \$1.0 million were from interest earned on investments and decreases were \$0.1 million purchase of investments for the project fund draws on the Athletic Expansion II.

ECONOMIC OUTLOOK

The University's economic outlook is closely related to its role as one of the Commonwealth's comprehensive higher education institutions. As such, it is largely dependent upon ongoing financial support from state government. The Board of Visitors approved a freeze on all tuition and fees for fiscal year 2022 in an effort to help students and parents in response to the pandemic.

Christopher Newport University is a young institution, but our formidable reputation is growing quickly thanks to our commitment to the principles of liberal learning and our dedication to the ideals of scholarship, leadership and service. This dedication has allowed the University to rise to sixth among Southern regional public universities in the *U.S. News & World Report* rankings.

Christopher Newport is one of only five only public institutions in the nation to earn a perfect "A" rating from the American Council of Trustees and Alumni (ACTA) for the strength of its curriculum in *What Will They Learn?* ACTA's study of over 1,000 colleges and universities, which reveals what value students actually receive from their college curriculum. A perfect score indicates that an institution requires all seven subjects deemed essential to a quality education: literature, composition, economics, mathematics, foreign language, science and American history/government.

In Fall 2020, the University moved to a hybrid of our traditional classroom teaching and virtual instruction. For Fall 2021 the University has moved back to our traditional classroom teaching.

In May 2021, the University was awarded CARES Act Higher Education Emergency Relief Funds (HEERF) III funding from the Department of Education for \$3,683,657 each in institutional funds and student aid. The University will utilize the student aid funds to assist students who qualify and have been impacted by the pandemic and the institutional portion to partially support the loss in revenue and increased expenses due to the pandemic. This funding was not received until fiscal year 2022.

For fiscal year 2022 the University will continue to fulfill the mission of preparing students to live lives of significance. To inspire students, faculty, staff, family and community confidence in a return to on-campus, in-person education as well as online classes and virtual streaming of in-person classes for those students who choose to not return to campus life in the Fall.

The University's commitment to liberal learning and the pursuit of excellence in all that we do and our dedication to those initiatives will strengthen our teaching, our scholarship, our academic programs and disciplines, and our campus community. As Captains we are grounded in the principles of Liberal Learning and dedication to the ideals of scholarship, leadership, and service, and will come together and persevere during this time of uncertainty and be a stronger community and continue to prosper and lead lives of significance.

FINANCIAL STATEMENTS

CHRISTOPHER NEWPORT UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2021

	University	Component Unit Education Foundation	Component Unit Real Estate Foundation
Current Assets:			
Cash and cash equivalents (Note 2)	\$ 4,132,987	\$ 170,327	\$ 5,196,633
Cash and cash equivalents Treasurer of Virginia (Note 2)	37,999,211	-	-
Cash and cash equivalents - securities lending (Note 2)	3,460,218	-	-
Restricted cash/cash equivalents (Note 2)	207,975		
Other investments	-	3,108,222	-
Accounts receivable, net of allowance (Note 3)	1,518,739	5,941	822,550
Pledges receivable, net of allowance (Note 17)	-	3,220,123	-
Due from Commonwealth (Note 3)	2,825,682	-	-
Prepaid expenses	2,300,673	-	800
Inventory	168,623	-	-
Total current assets	<u>52,614,108</u>	<u>6,504,613</u>	<u>6,019,983</u>
Noncurrent Assets:			
Restricted cash and cash equivalents (Note 2)	1,280,974	1,825,186	-
Restricted cash/cash equivalents Treasurer of Virginia (Note 2)	194,678	-	-
Restricted investments (Notes 2 and 17)	409,296	57,598,862	-
Other investments	-	-	-
Appropriations available/due from	164,952	-	-
Pledges receivable, net of allowance (Note 17)	-	8,871,488	-
Notes receivable	-	-	1,020,000
Other assets	-	1,355,000	444,600
Other restricted assets	1,576,112	2,827,928	-
Non-depreciable capital assets (Notes 4 and 17)	21,923,045	851,494	20,193,860
Capital assets, net (Notes 4 and 17)	<u>528,138,271</u>	<u>49,152</u>	<u>84,833,624</u>
Total noncurrent assets	<u>553,687,328</u>	<u>73,379,110</u>	<u>106,492,084</u>
Deferred outflows of resources (Note 5)	<u>17,690,083</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>623,991,519</u>	<u>79,883,723</u>	<u>112,512,067</u>
Current Liabilities:			
Accounts payable and accrued expenses (Note 6)	18,370,662	521,658	93,444
Unearned revenue	1,361,558	-	14,819
Obligations under securities lending	3,460,218	-	-
Accrued interest payable	867,828	-	218,642
Deposits held in custody for others	3,068,679	-	86,649
Long-term liabilities - current portion (Notes 7 and 17)	<u>10,342,068</u>	<u>-</u>	<u>6,626,609</u>
Total current liabilities	<u>37,471,013</u>	<u>521,658</u>	<u>7,040,163</u>
Noncurrent liabilities (Notes 7, 8 and 17)	<u>183,290,146</u>	<u>-</u>	<u>96,224,129</u>
Deferred inflows of resources (Note 5)	<u>10,249,964</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>231,011,123</u>	<u>521,658</u>	<u>103,264,292</u>
Net investment in capital assets	432,747,935	900,645	6,125,467
Restricted for:			
Nonexpendable - scholarships and fellowships	-	32,602,548	-
Expendable:			
OPEB	1,417,006	-	-
Scholarships and fellowships	-	2,884,507	-
Academic support	-	13,983,544	-
Capital projects	-	1,782,063	-
Other	-	24,332,929	-
Unrestricted	<u>(41,184,545)</u>	<u>2,875,829</u>	<u>3,122,308</u>
Total net position	<u>\$ 392,980,396</u>	<u>\$ 79,362,065</u>	<u>\$ 9,247,775</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CHRISTOPHER NEWPORT UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2021

	University	Component Unit Education Foundation	Component Unit Real Estate Foundation
Operating Revenues:			
Student tuition and fees, Net of scholarship allowance of \$6,248,868	\$ 42,795,911	\$ -	\$ -
Federal grants and contracts	1,747,933	-	-
State grants and contracts	209,225	-	-
Nongovernmental grants and contracts	121,752	-	-
Gifts and contributions	-	3,441,257	-
Auxiliary enterprises, Net of scholarship allowance of \$9,092,297	61,697,621	-	-
Lease and rental revenue	-	-	12,812,163
Other operating revenue	3,658,814	74,656	-
Total operating revenues	<u>110,231,256</u>	<u>3,515,913</u>	<u>12,812,163</u>
Operating Expenses:			
Instruction	38,785,460	-	-
Research	1,940,044	-	-
Academic support	11,474,158	-	-
Student services	7,592,371	-	-
Institutional support	15,531,247	1,806,391	2,648,668
Operation and maintenance of plant	10,687,977	609,193	1,721,692
Depreciation	18,154,500	16,851	3,820,605
Student aid	3,537,923	2,806,308	-
Auxiliary enterprises	55,236,873	-	-
Total operating expenses	<u>162,940,553</u>	<u>5,238,743</u>	<u>8,190,965</u>
Operating gain/(loss)	<u>(52,709,297)</u>	<u>(1,722,830)</u>	<u>4,621,198</u>
Non-operating Revenues/(Expenses):			
State appropriations (Note 9)	39,932,646	-	-
Federal student financial aid	5,831,549	-	-
Gifts	2,889,399	-	-
Investment income, net of investment expenses of \$5,000	338,246	17,938,904	59,300
Interest on capital asset related debt	(3,598,894)	-	(3,130,906)
Federal revenue	6,361,201	-	-
Build America Bonds subsidy	443,011	-	-
Other non-operating revenues (expenses)	134,400	-	-
Gain (Loss) on disposal of plant assets	(19,707)	-	(584,726)
Net nonoperating revenues/(expenses)	<u>52,311,851</u>	<u>17,938,904</u>	<u>(3,656,332)</u>
Income before other revenues/(expenses)/gains/(losses)	<u>(397,446)</u>	<u>16,216,074</u>	<u>964,866</u>
Capital appropriations	17,328,632	-	-
Capital gifts and grants	5,464	5,464	-
Additions to permanent endowments	-	1,790,863	-
Net other revenues	<u>17,334,096</u>	<u>1,796,327</u>	<u>-</u>
Increase/(decrease) in net position	16,936,650	18,012,401	964,866
Net Position - Beginning of year	<u>376,043,746</u>	<u>61,349,664</u>	<u>8,282,909</u>
Net Position - End of year	<u>\$ 392,980,396</u>	<u>\$ 79,362,065</u>	<u>\$ 9,247,775</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CHRISTOPHER NEWPORT UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021

Cash flows from operating activities:

Student tuition and fees	\$ 41,869,120
Grants and contracts	(645,289)
Auxiliary enterprises	60,845,955
Other receipts	4,163,343
Payments to employees	(86,529,746)
Payments for services and supplies	(44,165,025)
Payments for utilities	(5,509,788)
Payments for scholarships and fellowships	(1,444,078)
Payments for non-capitalized plant improvements and equipment	(2,391,082)
Loans and advances issued to students and employees	(415,644)
Collection of loans and advances from students and employees	323,786
Net cash used by operating activities	<u>(33,898,448)</u>

Cash flows from noncapital financing activities:

State appropriations	39,932,646
Federal revenue	6,361,201
Gifts and grants for other than capital purposes	2,889,399
Federal student financial aid	5,831,549
Federal direct lending program receipts	20,942,896
Federal direct lending program disbursements	(20,942,896)
PLUS loan receipts	7,722,379
PLUS loan disbursements	(7,722,379)
Custodial receipts	1,622,914
Custodial payments	(1,991,960)
Other nonoperating revenues	115,900
Net cash provided by noncapital financing activities	<u>54,761,649</u>

Cash flows from capital financing activities:

Capital appropriations	18,503,239
Proceeds from capital financing	1,546,459
Purchase of capital assets	(18,453,183)
Principal paid on capital debt, leases, and installments	(12,465,876)
Interest paid on capital debt, leases, and installments	(5,181,848)
Net cash used by capital financing activities	<u>(16,051,209)</u>

Cash flows from investing activities:

Interest on investments	996,228
Purchase of investments	(122,265)
Sales of investments	4,301
Net cash provided by investing activities	<u>878,264</u>

Net increase/(decrease) in cash 5,690,256

Cash and cash equivalents - Beginning of year 38,125,569

Cash and cash equivalents - End of year 43,815,825

The accompanying notes to financial statements are an integral part of this statement.

CHRISTOPHER NEWPORT UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021

Reconciliation of Net Operating Loss to Net Cash
Used by Operating Activities:

Operating loss	\$ (52,709,297)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	18,154,500
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Receivables, net	(44,150)
Inventory	60,107
Prepaid expenses	188,379
OPEB restricted asset	(166,077)
Deferred outflow of resources	(1,822,704)
Accounts payable and accrued expenses	828,332
Unearned revenue	(2,436,251)
Deposits held in custody	94,020
Accrued compensated absences	238,757
Net pension liability	6,943,117
OPEB liability	(896,721)
Deferred inflow of resources	(2,330,460)
	<hr/>
Net cash used by operating activities	<u><u>\$ (33,898,448)</u></u>

Non Cash investing, non capital financing, and
capital and related financing transactions:

Amortization of bond premium and discount	\$ 3,405,273
Capitalization of interest expense	\$ 21,208
Amortization of deferral on defeased bonds	\$ (1,027,896)
Change in fair value of investments recognized as a component of interest income	\$ 117,964
Loss on disposal of plant assets	\$ (19,707)

During 2021, the Virginia College Building Authority, on behalf of the University, issued \$22,510,000 Series 2021AB. The proceeds were used for the defeasance of \$21,270,000 of outstanding revenue bond principal and related accrued interest.

During 2021, the Commonwealth of Virginia, on behalf of the University, issued \$2,420,000 Series 2021AB. The proceeds were used for the defeasance of \$2,315,000 of outstanding general obligation bond principal and related accrued interest.

The accompanying notes to financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

CHRISTOPHER NEWPORT UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the University are as follows:

A. Reporting Entity

Christopher Newport University is a comprehensive university that is part of the Commonwealth of Virginia's statewide system of public higher education. The University's Board of Visitors, appointed by the Governor, is responsible for overseeing governance of the University. A separate report is prepared for the Commonwealth of Virginia, which includes all agencies over which the Commonwealth exercises oversight authority. The University is a component unit of the Commonwealth of Virginia and is included in the basic financial statements of the Commonwealth.

The University includes all entities over which the University exercises or has the ability to exercise oversight authority for financial reporting purposes. Under Governmental Accounting Standards Board (GASB) Statement 14, as amended by Statements 39 and 61, the Christopher Newport University Education and Real Estate Foundations, Inc. are discretely presented as component units of the University. The Foundations are legally separate and tax-exempt organizations formed to promote the achievements and further the aims and purposes of the University.

Christopher Newport University Education and Real Estate Foundations are tax-exempt, nonprofit, nonstock corporations. The Christopher Newport University Education Foundation was organized in September 1980 and Christopher Newport University Real Estate Foundation was organized in June 1997. The Foundations were created to receive, administer and distribute funds and property exclusively in furtherance of the educational activities and objectives of Christopher Newport University. Although the University does not control the timing or amount of receipts from the Foundations, the majority of resources, or incomes thereon, which the Foundations hold and invest, are restricted to the activities of the University by the donors. Since these restricted resources held by the Foundations can only be used by, or for the benefit of the University, the Foundations are considered a component unit of the University and are discretely presented in the University's financial statements.

During the year ended June 30, 2021, the Foundations distributed \$6,331,208 to the University for both restricted and unrestricted purposes. Separate financial statements for the Foundations can be obtained by writing the Chief Financial Officer, CNU Foundations, 1 Avenue of the Arts, Newport News, Virginia 23606.

B. Basis of Presentation

The University's accounting policies conform to generally accepted accounting principles as prescribed by GASB, including all applicable GASB pronouncements. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*. The University follows GASB 34 requirements for "reporting by special-purpose governments engaged only in business-type activities."

The Foundations are private, nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards, including FASB Statement 117, *“Financial Reporting for Not-for-Profit Organizations.”* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. Certain reclassifications have been made to the Foundations’ financial information to convert the presentation from FASB format to GASB format to align with the University’s financial reporting.

C. Basis of Accounting

The University’s financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. All significant intra-agency transactions have been eliminated.

D. Cash Equivalents and Investments

In accordance with GASB Statement 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, the University considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, purchased investments, interest-bearing temporary investments classified with cash and investments received as gifts are recorded at fair value. All investment income, including changes in the fair value of investments (unrealized gains and losses), is reported as non-operating revenue in the Statement of Revenues, Expenses and Change in Net Position. The University follows GASB Statement No. 72, *Fair Value Measurement and Application*, which requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The fair value hierarchy is based on the valuation inputs used to measure the fair value of assets.

E. Capital Assets

Capital assets include land, buildings and other improvements, library materials, equipment, intangible assets such as computer software, and infrastructure assets such as sidewalks. Capital assets are defined by the University as assets, excluding computer software, infrastructure and building improvements, with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Computer software developed or obtained for internal use is defined as having a license cost of \$10,000 or more and an estimated useful life in excess of one year. Computer software and licenses purchased on installment agreements have a cost of \$50,000 or more. Infrastructure is defined as having an initial cost of \$100,000 or more and an estimated useful life in excess of one year. Building improvements are defined as the lesser of \$100,000 or 20% of the building’s cost and must enhance the use of or extend the life of the building beyond its original estimated life. Donated capital assets are recorded at acquisition value at the date of the donation. Expenses for major capital assets and improvements are capitalized (construction in progress) as projects are constructed. The cost of normal maintenance and repairs that do not add to the asset’s value or materially extend its useful life are not capitalized. Plant assets, at the time of disposal, revert to the Commonwealth of Virginia for disposition. Proceeds, if any, are returned to the University.

Depreciation is calculated using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Useful lives by asset categories are listed below:

Buildings	5-50 years
Other improvements	12-30 years
Infrastructure	5-50 years
Equipment	5-20 years
Intangible Assets – Computer Software	3-5 years
Library materials	5 years

F. Prepaid Expenses

As of June 30, 2021, the University's prepaid expenses included items such as insurance premiums, membership dues, stipends and software maintenance for fiscal year 2022 that were paid in advance, and publication subscriptions which include initial and renewal annual subscriptions for technical and professional publications.

G. Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. The inventory held by the University consists of expendable supplies and items for resale. The cost of inventories are recorded as expenditures when consumed or sold rather than when purchased.

H. Noncurrent Cash and Investments

Cash and investments that are externally restricted to construct capital and other noncurrent assets are classified as noncurrent assets in the Statement of Net Position.

I. Unearned Revenue

Unearned revenue includes amounts received for tuition, fees, and grants and contracts prior to the end of the fiscal year, but related to the period after June 30, 2021.

J. Long-term Debt and Debt Issue Costs

Long-term debt on the Statement of Net Position is reported net of related discounts and premiums, which are amortized over the life of the debt. Debt issuance costs are expensed as Non-operating expenses.

K. Accrued Compensated Absences

Accrued leave reflected in the accompanying financial statements represents the amount of annual, sick and compensatory leave earned but not taken as of June 30, 2021. The amount represents all earned vacation, sick and compensatory leave payable under the Commonwealth of Virginia's leave pay-out policy and the University Handbook, for all Administrators holding faculty appointments, upon employment termination. The applicable share of employer related taxes payable on the eventual termination payments is also included.

L. Federal Financial Assistance Programs

The University participates in federally funded Pell Grant, Supplemental Educational Opportunity Grants and Federal Work-Study programs. In addition, the University has numerous federal research grants. Federal programs are audited in accordance with the Title 2, Part 200 of the U.S. Code of Federal Regulations *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

M. Deferred Inflows and Outflows of Resources

Deferred outflows of resources are defined as the consumption of net assets applicable to a future reporting period. The deferred outflows of resources have a positive effect on net position similar to assets.

Deferred inflows of resources are defined as the acquisition of net assets applicable to a future reporting period. The deferred inflows of resources have a negative effect on net position similar to liabilities.

N. Net Position

GASB Statement 34 requires that the Statement of Net Position report the difference between assets and liabilities as net position. GASB Statement 63 changes that terminology from *net assets* to *net position*. Net position consists of *Net Investment in Capital Assets, Restricted* and *Unrestricted*. *Net Investment in Capital Assets* consists of capital assets, net of accumulated depreciation and is reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets. Net position is reported as *Restricted* when constraints on the net position use are either externally imposed by creditors, grantors, or contributors or imposed by law. *Unrestricted* net position consists of net assets that do not meet the definitions above. When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to evaluate these expenditures and apply resources on a case by case basis.

O. Revenue and Expense Classifications

Operating revenues include activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship allowances; and (3) federal, state and nongovernmental grants and contracts.

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts, and other revenue sources that are defined as non-operating revenues by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement 34, such as state appropriations and investment and interest income.

Non-operating expenses include interest on debt related to the purchase of capital assets and losses on disposal of capital assets. All other expenses are classified as operating expenses.

P. Scholarship Discounts and Allowances

Student tuition and fees revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Change in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the student's behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that such revenues are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

The University utilizes the National Association of College and University Business Officers (NACUBO) alternative method for the calculation of scholarship discounts and allowances. The alternative method is a computation that calculates scholarship discounts and allowances on a University-wide basis, rather than on an individual student basis.

Q. Pensions

The Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan are single employer pension plans that are treated like cost-sharing plans. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan; and the additions to/deductions from the VRS State Employee Retirement Plan's and the VaLORS Retirement Plan's fiduciary net position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Other Post-Employment Benefits

State Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) State Employee Health Insurance Credit Program is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The State Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The State Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired state employees. For purposes of measuring the net State Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the State Employee Health Insurance Credit Program OPEB, and the State Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Health Insurance Credit Program; and the additions to/deductions from the VRS State Employee Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

VRS Disability Insurance Program

The Virginia Retirement System (VRS) Disability Insurance Program (Virginia Sickness and Disability Program) is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The Disability Insurance Program was established pursuant to §51.1-1100 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Disability Insurance Program is a managed care program that provides sick, family and personal leave and short-term and long-term disability benefits for State Police Officers, state employees, and VaLORS employees. For purposes of measuring the net Disability Insurance Program OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to the Disability Insurance Program OPEB, and Disability Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Disability Insurance Program OPEB Plan and the additions to/deductions from the VRS Disability Insurance Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net Line of Duty Act Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Line of Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act Program OPEB Plan's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pre-Medicare Retiree Healthcare Plan

Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes. This program was established by Title 2.2, Chapter 28 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare. It is the same health insurance program offered to active employees and managed by the Virginia Department of Human Resource Management. After retirement, the University no longer subsidizes the retiree's premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, retiree rates are effectively lower than what might otherwise be available outside of this benefit.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

GASB Statement 40, *Deposit and Investment Risk Disclosures*, became effective for periods beginning after June 15, 2004. This statement amends GASB Statement 3, *Deposits with Financial Institutions*, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements. GASB Statement 40 eliminates the custodial credit risk disclosures for Category 1 and 2 deposits and investments. However, this Statement does not change the disclosure requirements for Category 3 deposits and investments.

GASB Statement 40 requires the following risk disclosures:

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. This Statement requires the disclosure of the credit quality ratings of all investments subject to credit risk.

Concentration of Credit Risk – The risk of loss attributed to the magnitude of a government’s investment in a single issuer. This Statement requires disclosure of investments with any one issuer that represents five percent or more of total investments. However, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external pools and other pooled investments are excluded from the requirement.

Interest Rate Risk – The risk that changes in interest rates will adversely affect the fair value of an investment. This Statement requires disclosure of the terms of the investments with fair values that are highly sensitive to changes in interest rates. The University does not have investments or deposits that are sensitive to change in interest rates as of the close of business on June 30, 2021.

Foreign Currency Risk – The risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University had no foreign investments/deposits for 2021.

A. Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., Code of Virginia, all state funds of the University are held by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody and investment of state funds. Cash deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia. Cash and cash equivalents represent cash with the Treasurer, cash on hand and cash deposits including certificates of deposit, temporary investments with original maturities of three months or less, and cash equivalents with the Virginia State Non-Arbitrage Program (SNAP). SNAP offers a professionally-managed money market mutual fund, which provides a temporary pooled investment vehicle for proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculations. SNAP complies with all standards of GASB Statement 79. SNAP investments are reported using the net asset value per share, which is calculated on an amortized cost basis that provides a Net Asset Value per share that approximates fair value. Cash and cash equivalents reporting requirements are defined by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

Summarized below are cash and cash equivalents as of June 30, 2021:

Cash and cash equivalents:	
Deposits with financial institutions	\$ 486,769
Treasurer of Virginia	41,654,107
Government Money Market Fund	4,062,169
State non-arbitrage program (SNAP)	<u>1,072,998</u>
Total cash and cash equivalents	<u>\$ 47,276,043</u>

B. Investments

The Board of Visitors establishes and monitors CNU’s investment strategy. Authorized investments are set forth in the Investment of Public Funds Act, Section 2.2-4500, et seq., Code of Virginia. Investments fall into two groups: short-term and long-term. Short-term investments have an original maturity of over 90 days, but less than or equal to one year. Long-term investments have an original maturity greater than one year.

C. Securities Lending Transactions

GASB Statement 28, *Accounting and Financial Reporting for Securities Lending Transactions*, establishes accounting and financial reporting standards for security lending transactions. In these transactions, governmental entities transfer their securities to brokers, dealers and other entities for collateral and simultaneously agree to return the collateral for the same securities in the future. Collateral held for securities lending and the securities lending transactions reported on the financial statements represent the University's allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide level in the Commonwealth of Virginia's *Annual Comprehensive Financial Report*.

D. Fair Value Measurement

The University implemented GASB Statement No. 72, *Fair Value Measurement and Application*, which establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - inputs are quoted prices for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - inputs are unobservable inputs for an asset or liability and should be used only when relevant level 1 and level 2 inputs are unavailable.

				Fair Value Measurement (Per GASB 72)	
		Standard & Poor's Credit Quality Rating	Value	Less than 1 Year	Not Applicable to Fair Value Measurement Level 1
Cash and Cash Equivalents and Investments					
Cash and cash equivalents:					
Government Money Market Fund	NR	\$ 4,062,169	\$ 4,062,169	\$ 4,062,169	\$ -
State non-arbitrage program (SNAP)	AAAm	1,072,998	1,072,998	1,072,998	-
Total cash and cash equivalents		5,135,167	5,135,167	5,135,167	-
Investments:					
Mutual Funds and Money Market	NA	409,296	409,296		409,296
Total investments		409,296	409,296	-	409,296
Total cash, cash equivalents and investments		\$ 5,544,463	\$ 5,544,463	\$ 5,135,167	\$ 409,296

3. ACCOUNTS RECEIVABLE

A. Accounts receivable consisted of the following at June 30, 2021:

Student tuition and fees	\$ 205,145
Auxiliary enterprises	282,818
Federal, state, private grants and contracts	1,031,828
Other activities	96,541
Gross receivables	<u>1,616,332</u>
Less: Allowance for doubtful accounts	<u>(97,593)</u>
Net accounts receivable	<u>\$ 1,518,739</u>

B. Due from the Commonwealth of Virginia consisted of the following at June 30, 2021:

Virginia College Building Authority 21st Century Bonds	<u>\$ 2,825,682</u>
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4. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2021 is as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
Nondepreciable capital assets:				
Land	\$ 20,940,227	\$ 99,700	\$ -	\$ 21,039,927
Construction in progress	<u>41,496,006</u>	<u>16,798,774</u>	<u>(57,411,662)</u>	<u>883,118</u>
Total nondepreciable capital assets	<u>62,436,233</u>	<u>16,898,474</u>	<u>(57,411,662)</u>	<u>21,923,045</u>
Depreciable capital assets:				
Buildings	591,627,965	55,083,300	-	646,711,265
Infrastructure	15,436,210	298,885	-	15,735,095
Equipment	22,539,628	1,271,522	(320,070)	23,491,080
Intangibles	6,424,798	344,266	(25,790)	6,743,274
Other improvements	39,128,085	-	-	39,128,085
Library materials	<u>14,925,261</u>	<u>472,172</u>	<u>(1,296)</u>	<u>15,396,137</u>
Total depreciable capital assets	<u>690,081,947</u>	<u>57,470,145</u>	<u>(347,156)</u>	<u>747,204,936</u>
Less accumulated depreciation:				
Buildings	136,115,845	13,315,987	-	149,431,832
Infrastructure	11,114,620	670,571	-	11,785,191
Equipment	16,197,397	1,488,003	(302,752)	17,382,648
Intangibles	5,422,663	444,113	(25,324)	5,841,452
Other improvements	19,087,348	1,685,163	-	20,772,511
Library materials	<u>13,302,368</u>	<u>550,663</u>	<u>-</u>	<u>13,853,031</u>
Total accumulated depreciation	<u>201,240,241</u>	<u>18,154,500</u>	<u>(328,076)</u>	<u>219,066,665</u>
Depreciable capital assets, net	<u>488,841,706</u>	<u>39,315,645</u>	<u>(19,080)</u>	<u>528,138,271</u>
Total capital assets, net	<u>\$ 551,277,939</u>	<u>\$ 56,214,119</u>	<u>\$ (57,430,742)</u>	<u>\$ 550,061,316</u>

During fiscal year 2021, the University incurred interest charges totaling \$4,506,189. Of this amount, \$21,208 was capitalized as part of the cost of construction and \$4,484,981 was expensed.

5. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The composition of deferred outflows and inflows of resources at June 30, 2021 is summarized below:

Loss on debt defeasance (see Note 8)	\$ 1,072,382
Pension related (see Note 11)	12,656,282
Other postemployment benefit related (see Note 12)	
Health Insurance Credit Program	1,068,767
Virginia Sickness and Disability Program (VSDP)	476,425
Group Life Insurance Program	1,162,633
Line of Duty Act (LODA)	152,589
Pre-Medicare Retiree Healthcare	1,101,005
Total deferred outflows of resources	<u>\$ 17,690,083</u>
Gain on debt defeasance (see Note 8)	\$ 1,248,378
Pension related (see Note 11)	592,765
Other postemployment benefit related (see Note 12)	
Health Insurance Credit Program	199,820
Virginia Sickness and Disability Program (VSDP)	449,685
Group Life Insurance Program	169,670
Line of Duty Act (LODA)	113,403
Pre-Medicare Retiree Healthcare	7,476,243
Total deferred inflows of resources	<u>\$ 10,249,964</u>

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2021:

Employee salaries, wages and fringe benefits payable	\$ 10,138,753
Vendors and suppliers accounts payable	6,604,837
Retainage payable	1,627,072
Total accounts payable and accrued expenses	<u>\$ 18,370,662</u>

7. NONCURRENT LIABILITIES

The University's noncurrent liabilities consist of long-term debt (further described in Note 8), and other noncurrent liabilities. A summary of changes in noncurrent liabilities for the year ending June 30, 2021 is presented below:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt:					
Revenue bonds	\$ 73,129,989	\$22,900,552	\$(32,923,523)	\$ 63,107,018	\$ 6,205,000
Treasury-general obligation bonds	56,288,599	2,464,899	(6,241,750)	52,511,748	1,045,000
Installment purchases	338,841	134,466	(173,781)	299,526	63,431
Installment purchases from direct borrowings & direct placements	2,075,349	-	(290,876)	1,784,473	295,049
Total long-term debt	131,832,778	25,499,917	(39,629,930)	117,702,765	7,608,480
Accrued compensated absences	2,507,180	2,592,549	(2,353,792)	2,745,937	2,151,324
Faculty Early Retirement Incentive Plan	-	415,951	-	415,951	207,976
Net pension liability (see Note 11)*	47,276,029	6,943,117	-	54,219,146	-
OPEB liabilities (see Note 12):					
Health Insurance Credit Program*	7,710,415	-	(48,185)	7,662,230	-
Group Life Insurance Program*	4,727,045	159,474	-	4,886,519	-
Line of Duty Act*	339,591	30,181	-	369,772	7,691
Pre-Medicare Retiree Healthcare*	6,668,084	-	(1,038,191)	5,629,893	366,597
Total long-term liabilities	\$201,061,122	\$35,641,189	\$(43,070,098)	\$193,632,213	\$10,342,068

*Amounts reflect Net Additions/(Reductions)

In February 2021 the University amended the Faculty Early Retirement Incentive Plan (FERIP) to provide a financial early retirement incentive for certain tenured faculty, thereby releasing tenured faculty resources for budget reallocation or reduction in accordance with University needs. Four tenured faculty took advantage of the plan that allows for an aggregate benefit payment equal up to 100% of a participant's base salary, distributed monthly over a period of two years beginning July 1, 2021. The total FERIP liability is \$415,951.

8. LONG TERM DEBT

On behalf of The University, the Commonwealth has issued two categories of bonds pursuant to Section 9 of Article X of the *Constitution of Virginia*.

Section 9(c) bonds are general obligation bonds issued by the Commonwealth of Virginia on behalf of the University, which are secured by the net revenues of the completed project and the full faith, credit and taxing power of the Commonwealth of Virginia.

Section 9(d) bonds are revenue bonds, which are limited obligations of the University, payable exclusively from pledged general revenues and are not debt of the Commonwealth of Virginia. Pledged revenues include revenues of the University not required by law to be used for another purpose. The University issued 9(d) bonds through the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education.

	Maturity	Interest Rates	Outstanding Balance
General Obligation Bonds			
Residential Housing:			
2010A-Warwick River Hall	2040	3.3-4.7	\$ 26,015,000
2015A-Greek Housing	2035	3.0-5.0	14,570,000
2021A Refunding of 2015A-Greek Housing	2036	2.0	760,000
2021B Refunding of 2015A-Greek Housing	2037	2.25	880,000
Dining Services:			
2015A Regattas Expansion	2035	3.0-5.0	6,920,000
2021A refunding 2015A-Regattas Expansion	2036	2.0	365,000
2021B refunding 2015A-Regattas Expansion	2037	2.25	415,000
Unamortized premium/(discount)			2,586,748
Total General Obligation Bonds			\$ 52,511,748
Revenue Bonds			
Residential Housing:			
2010A-CNU Landing	2041	4.55-5.6	\$ 3,395,000
2021A refunding 2010A-CNU Landing	2043	2.0	280,000
2021A refunding 2010B-Potomac River Hall	2023	5.0	3,615,000
Parking Services:			
2011A	2022	5.0	360,000
2012B	2023	5.0	225,000
2012A refunding 2005A	2023	5.0	250,000
2014B refunding 2005A	2026	4.0	150,000
2021A refunding 2010B	2023	5.0	1,265,000
2021B refunding 2012A	2025	.48-1.0	295,000
Student Union:			
2014B refunding 2006A	2024	5.0	425,000
2016A refunding 2006A	2027	3.0	485,000
2021A refunding 2010B	2023	5.0	1,335,000
2021B refunding 2012A	2028	.48-.94	7,835,000
Property Acquisition:			
2015B refunding 2009A	2029	3.0-5.0	3,595,000
2016A refunding 2009B	2030	3.0-5.0	1,490,000
2021B refunding 2015B	2031	1.33-1.53	1,060,000
2021B refunding 2016A	2032	1.53-1.71	385,000
Alumni House:			
2014B	2025	5.0	975,000
2021B refunding 2014A	2030	.48-1.33	1,820,000
Dining Services:			
2011A-Hiden Hussey Commons Expansion	2022	5.0	510,000
2021A refunding 2010B-Discovery Café	2022	5.0	80,000
2021A refunding 2010B-Regatta's	2023	5.0	40,000

	Maturity	Interest Rates	Outstanding Balance
Intercollegiate Athletics and Recreation Services:			
2011A-Ratliffe Hall Addition	2022	5.0	375,000
2012A refunding 2003A-Athletic Fields Expansion I	2023	5.0	150,000
2014B-Athletic Fields Expansion II	2025	5.0	475,000
2014B refunding 2007A-Freeman Center Expansion	2026	4.0-5.0	1,125,000
2015B refunding 2009A-Athletic Fields Expansion II	2029	3.0-5.0	1,460,000
2015B refunding 2009A-Ratliffe Hall Addition	2029	3.0-5.0	960,000
2016A refunding 2007A-Freeman Center Expansion	2038	3.0-5.0	3,425,000
2016A refunding 2009B-Freeman Center Expansion	2040	3.0-5.0	12,205,000
2016A refunding 2009B-Ratliffe Hall Addition	2030	3.0-5.0	505,000
2019A-Athletic Fields Expansion II	2035	2.25-5.0	3,930,000
2021A refunding 2010B-Athletic Fields Expansion I	2023	5.0	865,000
2021A refunding 2010B-Track Complex/Football Stadium	2023	5.0	200,000
2021B refunding 2012A-Athletic Fields Expansion I	2024	.50-1.0	100,000
2021B refunding 2014A-Athletic Fields Expansion II	2032	.48-1.71	2,145,000
2021B refunding 2016A-Freeman Center Expansion	2042	2.6-2.65	1,190,000
Unamortized premium/(discount)			4,127,018
Total Revenue Bonds			\$ 63,107,018
Total Bonds Payable			\$115,618,766
Installment Purchases			
Installment purchases			\$ 299,526
Installment purchases - Direct Borrowings & Direct Placements			1,784,473
Total Installment Purchases			\$ 2,083,999
Total Long-Term Debt			\$117,702,765

Installment Purchases Payable

The University has entered into various installment purchase contracts to finance grounds equipment, athletic fitness equipment, property and intangible assets.

The outstanding installments purchases from direct borrowings and direct placements are secured with a first priority security interest in the equipment purchased with the financing. The Commonwealth of Virginia Treasury Department's Master Equipment Lease Program (MELP) was utilized for the equipment direct borrowing. The MELP contains a cross-default provision that if one agency does not make lease payments on an appendix, all the appendices under the MELP contract will be in default. The MELP also contains a provision that in the event of non-appropriation for any or all payments due under the MELP, the contract terminates.

Principal and interest payments on these commitments for fiscal years subsequent to June 30, 2021 are as follows:

Bonds Payable matures as follows:

	Principal	Interest
2022 \$	7,250,000	\$ 4,023,807
2023	7,645,000	3,666,604
2024	7,105,000	3,359,491
2025	7,255,000	3,110,213
2026	7,415,000	2,868,722
2027-2031	33,320,000	10,567,356
2032-2036	24,315,000	5,257,544
2037-2041	13,715,000	1,404,735
2042-2046	885,000	13,616
Unamortized Premium	6,713,766	-
	<u>\$ 115,618,766</u>	<u>\$ 34,272,088</u>

			Installment Purchases from Direct Borrowing & Direct Placements	
Installment Purchases			Principal	Interest
Principal	Interest			
2022 \$ 63,431	\$ -		\$ 295,049	\$ 10,193
2023 102,587	-		232,823	6,410
2024 103,929	-		225,985	3,196
2025 29,579	-		113,329	925
2026 -	-		68,513	402
2027-2031 -	-		228,774	142
2032-2036 -	-		200,000	-
2037-2041 -	-		200,000	-
2042-2046 -	-		200,000	-
2047-2051 -	-		20,000	-
<u>\$ 299,526</u>	<u>\$ -</u>		<u>\$ 1,784,473</u>	<u>\$ 21,268</u>

Defeasance of Debt

General Obligation Bonds

In May 2021, the Commonwealth of Virginia, on behalf of the University issued \$2,420,000 in General Obligation Refunding Bonds, Series 2021A to refund \$2,315,000 of Series 2015A 2021 and 2022 maturities, as part of the debt restructuring initiative. The resulting accounting gain of \$148,811 will be amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The details are below:

Bond Title	Bonds Refunded	Interest Rate (Bonds Refunded)	Refunding Bonds Issued	Interest Rate (Refundin g Bonds)	Accounting Gain (Loss)	Reduction in Debt Service	Economic Gain (Loss)
Construct Residential Housing and Expand Dining Hall 2015A - 2021 Maturity	\$ 1,130,000	5.00	\$ 1,125,000	2.00%	\$ 101,238	\$ (305,875)	\$ (32,755)
Construct Residential Housing and Expand Dining Hall 2015A - 2022 Maturity	\$ 1,185,000	5.00	\$ 1,295,000	2.25%	\$ 47,573	\$ (489,429)	\$ (50,341)
Total General Obligation Bonds	<u>\$ 2,315,000</u>		<u>\$ 2,420,000</u>		<u>\$ 148,811</u>	<u>\$ (795,304)</u>	<u>\$ (83,096)</u>

Revenue Refunding Bonds

In February 2021, the Virginia College Building Authority, on behalf of the University issued \$22,510,000 in 9(d) Educational Facilities Revenue Refunding Bonds, Series 2021 to refund \$21,270,000 of Series 2010A, 2010B, 2012A, 2014A, 2015B and 2016A, as part of the debt restructuring initiative. The refunding of series 2010A, 2012A, 2014A, 2015B and 2016A resulted in an accounting loss of \$305,150 that will be amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The refunding series 2010B and a 2016A maturity resulted in gains of \$142,328 which will be amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The details are below:

Bond Title	Bonds Refunded	Interest Rate (Bonds Refunded)	Refunding Bonds Issued	Interest Rate (Refundin g Bonds)	Accounting Gain (Loss)	Reduction in Debt Service	Economic Gain (Loss)
Land Acquisition 2010A	\$ 265,000	4.15-4.35%	\$ 280,000	2.00%	\$ (7,575)	\$ (119,827)	\$ (11,639)
Student Union 2010B	\$ 80,000	5.00%	\$ 80,000	5.00%	\$ 2,178	\$ 1,756	\$ 1,756
Athletic, Parking, Student Union, Residence Hall IV, Dining and Track Expansion 2010B	\$ 7,485,000	5.00%	\$ 7,320,000	5.00%	\$ 27,446	\$ 334,634	\$ 334,471
Athletic Expansion 2012A	\$ 90,000	5.00%	\$ 100,000	.50-1.00%	\$ (4,169)	\$ 2,241	\$ 2,224
Student Union 2012A	\$ 7,280,000	2.75-5.00%	\$ 7,835,000	.48-.94%	\$ (119,474)	\$ 8,735	\$ 120,931
Parking Services 2012A	\$ 270,000	3.00-5.00%	\$ 295,000	.48-1.00%	\$ (9,458)	\$ 7,137	\$ 7,079
Athletic Expansion and Alumni House 2014A	\$ 3,365,000	5.00%	\$ 3,965,000	.48-1.71%	\$ (133,189)	\$ 160,170	\$ 204,780
Land Acquisition 2015B	\$ 980,000	5.00%	\$ 1,060,000	1.33-1.53%	\$ (27,698)	\$ (144,040)	\$ (21,566)
Gymnasium Expansion 2016A	\$ 1,100,000	5.00%	\$ 1,190,000	2.60-2.65%	\$ 112,704	\$ (633,921)	\$ (38,464)
Land Acquisition 2016A	\$ 355,000	5.00%	\$ 385,000	1.53-1.71%	\$ (3,586)	\$ (66,010)	\$ (9,436)
Total Revenue Refunding Bonds	<u>\$ 21,270,000</u>		<u>\$ 22,510,000</u>			<u>\$ (449,125)</u>	<u>\$ 590,136</u>

At June 30, 2021, \$14,890,000 in defeased debt or bonds remain outstanding.

9. STATE APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that unexpended appropriations shall revert, except as specifically provided by the General Assembly, at the end of a biennium. For years ending at the middle of a biennium, unexpended appropriations that have not been approved for reappropriation in the next year by the Governor become part of the General Fund of the Commonwealth and are, therefore, no longer available to the University for disbursement.

The following is a summary of state appropriations received by the University including all supplemental appropriations and reversions:

Original legislative appropriations Per Chapter 1289	
Educational and general programs	\$33,248,951
Student financial assistance	6,211,930
Supplemental adjustments:	
Reversion	(2,300,000)
Other central appropriation adjustments	(193,954)
Financial aid adjustments	(185,983)
In-State Undergraduate Tuition Moderation	2,400,000
Tech Talent Investment Program Award	751,702
Adjusted Appropriation	<u>\$39,932,646</u>

10. COMMITMENTS

At June 30, 2021, the University was committed to construction contracts totaling approximately \$17,417,099 of which \$2,141,156 was unexpended.

The University is committed under various operating leases for buildings and equipment. In general, the leases are for a one-year term and the University has renewal options on these leases for up to three additional one-year terms. In most cases, the University expects that in the normal course of business, these leases will be replaced by similar leases.

On August 1, 2002, the University entered into a fifteen-year lease agreement with the Educational Foundation for the lease of certain properties to be used for the purposes of student housing and administrative offices. In August 2017, the lease was extended for an additional five-year term totaling approximately \$44,410,001 of which \$11,867,775 remains outstanding on the lease commitment.

Rental expense for the fiscal year ended June 30, 2021 was \$10,020,116. The University has, as of June 30, 2021 the following total future minimum rental payments due under the above leases:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2022	\$ 10,014,243
2023	1,511,676
2024	581,696
2025	
Total	<u>\$ 12,107,615</u>

11. RETIREMENT PLANS

General Information about the Pension Plan

Plan Description

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Retirement Plan or the VaLORS Retirement Plan upon employment. These plans are administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees in the VRS State Employee Retirement Plan – Plan 1, Plan 2, and Hybrid; and two different benefit structures for covered employees in the VaLORS Retirement Plan – Plan 1 and Plan 2. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the following table:

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none"> • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is	Eligible Members Employees are in the Hybrid Retirement Plan if their

<p>January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • State employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Members of the Virginia Law Officers' Retirement System (VaLORS) <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Same as Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased</p>	<p>Service Credit Same as Plan 1.</p>	<p>Service Credit <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a</p>

<p>or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>		<p>covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u></p> <p>Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p>

		<ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distributions not required, except as governed by law.</p>
Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1. <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. VaLORS: The retirement multiplier for VaLORS employees is 1.70% or 2.00%.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013. VaLORS: The retirement multiplier for VaLORS employees is 2.00%.	Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. VaLORS: Not applicable. <u>Defined Contribution Component:</u> Not applicable.
Normal Retirement Age VRS: Age 65. VaLORS: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. VaLORS: Same as Plan 1.	Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2. VaLORS: Not applicable.

		<p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p> <p>VaLORS: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.</p> <p>VaLORS: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90. VaLORS: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. VaLORS: Age 50 with at least five years of service credit.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>VaLORS: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 with at least five years (60 months) of service credit. VaLORS: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2. <u>Defined Contribution Component:</u> Not applicable. <u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

<p>after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. <p>The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p> <p>Purchase of Prior Service Members may be eligible to purchase service from previous</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p> <p>Purchase of Prior Service Same as Plan 1.</p>	<p>Disability Coverage State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p> <p>Purchase of Prior Service <u>Defined Benefit Component:</u></p>

public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.		<p>Same as Plan 1, with the following exception:</p> <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <p><u>Defined Contribution Component:</u> Not applicable.</p>
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Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required employer contribution rate for the fiscal year ended June 30, 2021 was 14.46% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.90% of covered employee compensation. These rates were based on actuarially determined rates from an actuarial valuation as of June 30, 2019. The actuarially determined rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Retirement Plan were \$4,493,970 and \$4,261,576 for the years ended June 30, 2021 and June 30, 2020, respectively. Contributions from the University to the VaLORS Retirement Plan were \$205,138 and \$217,292 for the years ended June 30, 2021 and June 30, 2020, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the University reported a liability of \$52,080,385 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of \$2,138,761 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The University's proportion of the Net Pension Liability was based on the University's actuarially determined employer contributions to the pension plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the University's proportion of the VRS State Employee Retirement Plan was 0.71886% as compared to 0.71972% at June 30, 2019. At June 30, 2020, the University's proportion of the VaLORS Retirement Plan was 0.27354% as compared to 0.25815% at June 30, 2019.

For the year ended June 30, 2021, the University recognized pension expense of \$7,350,307 for the VRS State Employee Retirement Plan and \$335,853 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2019 and June 30, 2020, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	VRS Deferred Outflows of Resources	VRS Deferred Inflows of Resources
Differences between expected and actual experience	\$ 590,752	\$ 529,969
Net difference between projected and actual earnings on pension plan investments	4,051,559	-
Change in assumptions	2,163,488	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	869,818	37,298
Employer contributions subsequent to the measurement date	4,493,970	-
Total	<u>\$ 12,169,587</u>	<u>\$ 567,267</u>

	VaLORS Deferred Outflows of Resources	VaLORS Deferred Inflows of Resources
Differences between expected and actual experience	\$ 46,487	\$ -
Net difference between projected and actual earnings on pension plan investments	125,966	-
Change in assumptions	45,415	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	63,689	25,498
Employer contributions subsequent to the measurement date	205,138	-
Total	<u>\$ 486,695</u>	<u>\$ 25,498</u>

\$4,493,970 for the VRS Retirement Plan and \$205,138 for the VaLORS Retirement Plan reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

For the year ending	VRS Retirement Plan	VaLORS Retirement Plan
June 30, 2022	\$ 1,782,772	\$ 96,217
June 30, 2023	\$ 2,657,446	\$ 78,757
June 30, 2024	\$ 1,367,664	\$ 41,921
June 30, 2025	\$ 1,300,468	\$ 39,164
June 30, 2026	\$ -	\$ -

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.5%
Salary increases, including Inflation	3.5% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.5%
Salary increases, including Inflation	3.5% – 4.75%

Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*
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* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2020, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Retirement Plan	VaLORS Retirement Plan
Total Pension Liability	\$ 26,014,925	\$ 2,282,351
Plan Fiduciary Net Position	18,770,068	1,500,469
Employer's Net Pension Liability (Asset)	<u>\$ 7,244,857</u>	<u>\$ 781,882</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.15%	65.74%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		* Expected arithmetic nominal return	<u>7.14%</u>

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the University for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the VRS State Employee Retirement Plan net pension liability using the discount rate of 6.75%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
University's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	\$ 73,809,708	\$ 52,080,385	\$ 33,809,752

The following presents the University's proportionate share of the VaLORS Retirement Plan net pension liability using the discount rate of 6.75%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
University's proportionate share of the VaLORS Retirement Plan Net Pension Liability	\$ 2,935,740	\$ 2,138,761	\$ 1,480,504

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

The university reported \$230,337 in payables to VRS.

Optional Retirement Plans

Full-time faculty and certain administrative staff may participate in Optional Retirement Plans, as authorized by Section 51.1-126 of the *Code of Virginia*, rather than the VRS retirement plan. These Optional Retirement Plans are defined contribution plans to which the University contributes an amount established by statute. University employees currently participate in both of these plans to include: Deferred Compensation Plan (DCP) and Teacher Insurance and Annuity Association/College Retirement Equity Fund (TIAA/CREF). The employer contribution rates will be 10.4% for Plan 1 participants (hired prior to July 1, 2010) and 8.5% for Plan 2 participants (hired on or after July 1, 2010), with Plan 2 participants continuing to contribute 5%.

Individual contracts issued under the plan provide for full and immediate vesting of both the University and the participant's contributions. Total pension costs under these Optional Retirement Plans were approximately \$2,564,824 for the year ended June 30, 2021. Contributions were calculated using the base salary amount of approximately \$27,704,496.

Deferred Compensation

Most employees of the Commonwealth's colleges and universities may participate in the Commonwealth's Deferred Compensation Plan in accordance with Internal Revenue Code Section 457(b) and/or the institution's deferred compensation plan in accordance with Internal Revenue Code Section 403(b). Under either plan, the institution's cash match under the Internal Revenue Code Section 401(a) during fiscal year 2021 was a maximum match up to \$20 per pay period or \$40 per month. This employer match is for either plan but not both plans. Employer contributions under these plans were approximately \$230,844 for fiscal year 2021.

12. POSTEMPLOYMENT BENEFITS

The University participates in postemployment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System. These programs include the Retiree Health Insurance Credit Program, Virginia Sickness and Disability Program, Group Life Insurance Program, Line of Duty Act Program and Pre-Medicare Retiree Healthcare Program.

General Information about the State Employee Health Insurance Credit Program

Plan Description

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Health Insurance Credit Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the State Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out in the table below:

STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS	
Eligible Employees	
The State Employee Retiree Health Insurance Credit Program was established January 1, 1990 for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit.	
Eligible employees are enrolled automatically upon employment. They include:	

<ul style="list-style-type: none"> • Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.
<p>Benefit Amounts</p> <p>The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • <u>At Retirement</u> – For State employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. • <u>Disability Retirement</u> – For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher. <p>For State police officer employees with a non-work-related disability who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher.</p> <p>For State police officers with a work-related disability, there is no benefit provided under the State Employee Retiree Health Insurance Credit Program if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.</p>
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> • The monthly Health Insurance Credit benefit cannot exceed the individual’s premium amount. • Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the Health Insurance Credit as a retiree.

Contributions

The contribution requirement for active employees is governed by §51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency’s contractually required employer contribution rate for the year ended June 30, 2021 was 1.12% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Health Insurance Credit Program were \$668,778 and \$702,748 for the years ended June 30, 2021 and June 30, 2020, respectively.

State Employee Health Insurance Credit Program OPEB Liabilities, State Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to State Employee Health Insurance Credit Program OPEB

At June 30, 2021, the University reported a liability of \$7,662,230 for its proportionate share of the VRS State Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS State Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2020 and the total VRS State Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS State Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The University’s proportion of the Net VRS State Employee Health Insurance Credit Program OPEB Liability was based on the University’s actuarially determined employer contributions to the VRS State Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating state employers. At June 30, 2020, the University’s proportion of the VRS State Employee Health Insurance Credit Program was 0.83466% as compared to 0.83530% at June 30, 2019.

For the year ended June 30, 2021, the University recognized VRS State Employee Health Insurance Credit Program OPEB expense of \$704,419. Since there was a change in proportionate share between measurement dates, a portion of the VRS State Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee Health Insurance Credit Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,188	\$ 114,986
Net difference between projected and actual earnings on State HIC OPEB program investments	37,702	-
Change in assumptions	127,648	36,322
Changes in proportionate share	231,451	48,512
Employer contributions subsequent to the measurement date	668,778	
Total	<u>\$ 1,068,767</u>	<u>\$ 199,820</u>

\$668,778 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net State Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

For the year ending	Amount
June 30, 2022	\$ 38,074
June 30, 2023	\$ 42,731
June 30, 2024	\$ 67,144
June 30, 2025	\$ 54,355
June 30, 2026	\$ (2,135)
Thereafter	\$ -

Actuarial Assumptions

The total State Employee HIC OPEB liability for the VRS State Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.5%
Salary increases, including inflation –	
General state employees	3.5% – 5.35%
SPORS employees	3.5% – 4.75%
VaLORS employees	3.5% – 4.75%
JRS employees	4.5%
Investment rate of return	6.75%, net of plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.

Mortality rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at age 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Remove disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Net State Employee HIC OPEB Liability

The net OPEB liability (NOL) for the State Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS State Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

	State Employee HIC OPEB Plan
Total State Employee HIC OPEB Liability	\$ 1,043,382
Plan Fiduciary Net Position	125,378
State Employee Net HIC OPEB Liability (Asset)	<u>\$ 918,004</u>

Plan Fiduciary Net Position as a Percentage of the Total State Employee HIC OPEB Liability	12.02%
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The total State Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net State Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY 2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total State Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by the University for the VRS State Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the State Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total State Employee HIC OPEB liability.

Sensitivity of the University's Proportionate Share of the State Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the VRS State Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the University's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
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University's proportionate share of the VRS State Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 8,490,537	\$ 7,662,230	\$ 6,949,478
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State Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS State Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the VRS State Employee HIC OPEB Plan

The university reported \$23,806 in payables to the VRS State Employee HIC OPEB Plan.

General Information about the VRS Disability Insurance Program

Plan Description

All full-time and part-time permanent salaried state employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) hired on or after January 1, 1999 are automatically covered by the Disability Insurance Program (VSDP) upon employment. The Disability Insurance Program also covers state employees hired before January 1, 1999 who elected to transfer to VSDP rather than retain their eligibility to be considered for disability retirement. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

The specific information for Disability Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time and part-time permanent salaried state employees covered under VRS, SPORS and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP). • State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement. • Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.

Benefit Amounts

The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible employees:

- **Leave** – Sick, family and personal leave. Eligible leave benefits are paid by the employer.
- **Short-Term Disability** – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer.
- **Long-Term Disability (LTD)** – The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the Virginia Disability Insurance Program (VSDP) OPEB Plan.
- **Income Replacement Adjustment** – The program provides for an income replacement adjustment to 80% for catastrophic conditions.
- **VSDP Long-Term Care Plan** – The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.

Disability Insurance Program (VSDP) Plan Notes:

- Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work-related short-term disability benefits and certain income-replacement levels.
- A state employee who is approved for VSDP benefits on or after the date that is five years prior to his or her normal retirement date is eligible for up to five years of VSDP benefits.
- Employees on work-related short-term disability receiving only a workers' compensation payment may be eligible to purchase service credit for this period if retirement contributions are not being withheld from the workers' compensation payment. The rate will be based on 5.00% of the employee's compensation.

Cost-of-Living Adjustment (COLA)

- During periods an employee receives long-term disability benefits, the LTD benefit may be increased annually by an amount recommended by the actuary and approved by the Board.
 - Plan 1 employees vested as of 1/1/2013 – 100% of the VRS Plan 1 COLA (The first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%).
 - Plan 1 employee non-vested as of 1/1/2013, Plan 2 and Hybrid Plan employees – 100% of the VRS Plan 2 and Hybrid COLA (The first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%).
- For participating full-time employees taking service retirement, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.
 - 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%
- For participating full-time employees receiving supplemental (work-related) disability benefits, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.
 - 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%.

Contributions

The contribution requirements for the Disability Insurance Program (VSDP) are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Disability Insurance Program (VSDP) for the year ended June 30, 2021 was 0.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the Disability Insurance Program (VSDP) from the University were \$185,846 and \$190,135 for the years ended June 30, 2021 and June 30, 2020, respectively.

Disability Insurance Program (VSDP) OPEB Assets, VSDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the VSDP OPEB

At June 30, 2021, the University reported an asset of \$1,576,112 for its proportionate share of the Net VSDP OPEB Asset. The Net VSDP OPEB Asset was measured as of June 30, 2020 and the total VSDP OPEB liability used to calculate the Net VSDP OPEB Asset was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The University's proportion of the Net VSDP OPEB Asset was based on the agency's actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the University's proportion was 0.71418 % as compared to 0.71869 % at June 30, 2019.

For the year ended June 30, 2021, the University recognized VSDP OPEB expense of \$137,861. Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 148,200	\$ 327,062
Net difference between projected and actual earnings on VSDP OPEB program investments	107,226	-
Change in assumptions	21,008	64,716
Changes in proportionate share	14,145	57,907
Employer contributions subsequent to the measurement date	185,846	-
Total	\$ 476,425	\$ 449,685

\$185,846 reported as deferred outflows of resources related to the VSDP OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as an adjustment of the Net VSDP OPEB Liability (Asset) in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB will be recognized in VSDP OPEB expense in future reporting periods as follows:

For the year ending	Amount
June 30, 2022	\$ (45,790)
June 30, 2023	\$ (17,030)
June 30, 2024	\$ (14,872)
June 30, 2025	\$ (13,979)
June 30, 2026	\$ (32,399)
Thereafter	\$ (35,036)

Actuarial Assumptions

The total VSDP OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.5%
Salary increases, including	
Inflation – General state employees	3.5% – 5.35%
SPORS employees	3.5% – 4.75%
VaLORS employees	3.5% – 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Mortality rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 85%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

Net VSDP OPEB Liability (Asset)

The net OPEB asset (NOA) for the Disability Insurance Program (VSDP) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2020, NOA amounts for the Disability Insurance Program (VSDP) are as follows (amounts expressed in thousands):

	Virginia Sickness and Disability Program
Total VSDP OPEB Liability	\$ 269,531
Plan Fiduciary Net Position	490,220
VSDP Net OPEB (Asset)	<u>\$ (220,689)</u>

Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	181.88%
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The total VSDP OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB asset is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.14%

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total VSDP OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by participating employers to the VSDP OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VSDP OPEB Program's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VSDP OPEB liability.

Sensitivity of the University's Proportionate Share of the Net VSDP OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the University's proportionate share of the net VSDP OPEB liability (asset) using the discount rate of 6.75%, as well as what the University's proportionate share of the net VSDP OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

Sensitivity of the University's Proportionate Share of the Net VSDP OPEB Asset to Changes in the Discount Rate

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
University's proportionate share of the VSDP Net OPEB Asset	\$1,438,030	\$ 1,576,112	\$1,700,060

VSDP OPEB Fiduciary Net Position

Detailed information about the Disability Insurance Program (VSDP) Fiduciary Net Position is available in the separately issued VRS 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the VSDP OPEB Plan

The university reported \$8,672 in payables to the VSDP OPEB Plan.

General Information about the Group Life Insurance Program

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Safety belt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This amount will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the University were \$319,833 and \$315,674 for the years ended June 30, 2021 and June 30, 2020, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2021, the University reported a liability of \$ 4,886,519 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the University's proportion was 0.29281% as compared to 0.29049% at June 30, 2019.

For the year ended June 30, 2021, the University recognized GLI OPEB expense of \$217,300. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 313,425	\$ 43,890
Net difference between projected and actual earnings on GLI OPEB program investments	146,787	-
Change in assumptions	244,382	102,033
Changes in proportionate share	138,206	23,747
Employer contributions subsequent to the measurement date	319,833	
Total	<u>\$ 1,162,633</u>	<u>\$ 169,670</u>

\$319,833 reported as deferred outflows of resources related to the GLI OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

For the year ending	Amount
June 30, 2022	\$ 104,559
June 30, 2023	\$ 146,012
June 30, 2024	\$ 188,665
June 30, 2025	\$ 181,847
June 30, 2026	\$ 47,965
Thereafter	\$ 4,082

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.5%
Salary increases, including inflation – General state employees	3.5% – 5.35%

Teachers	3.5% – 5.95%
SPORS employees	3.5% – 4.75%
VaLORS employees	3.5% – 4.75%
JRS employees	4.5%
Locality - General employees	3.5% – 5.35%
Locality – Hazardous Duty employees	3.5% – 4.75%

Investment rate of return	6.75%, net of investment expenses, including inflation*
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* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.

Mortality rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – Non-Largest Ten Locality Employers – General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year

Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2020, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,523,937
Plan Fiduciary Net Position	1,855,102
GLI Net OPEB Liability (Asset)	<u>\$ 1,668,835</u>

Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%
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The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.14%

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the University's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
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Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$6,423,705	\$ 4,886,519	\$3,638,181
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Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Group Life Insurance OPEB Plan

The university reported \$28,518 in payables to the Group Life Insurance OPEB Plan.

General Information about the Line of Duty Act Program

Plan Description

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for Line of Duty Act Program OPEB, including eligibility, coverage and benefits is set out in the table below:

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS
<p>Eligible Employees</p> <p>The eligible employees of the Line of Duty Act Program (LODA) are paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).</p>
<p>Benefit Amounts</p> <p>The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none"> • Death – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: <ul style="list-style-type: none"> ○ \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after. ○ \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. ○ An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

- **Health Insurance** – The Line of Duty Act program provides health insurance benefits.
 - Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee’s death or disability. These premiums were reimbursed to the employer by the LODA program.
 - Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

Contributions

The contribution requirements for the Line of Duty Act Program (LODA) are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer’s contractually required employer contribution rate for the Line of Duty Act Program (LODA) for the year ended June 30, 2021 was \$717.31 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the University were \$14,346 and \$11,998 for the years ended June 30, 2021 and June 30, 2020, respectively.

Line of Duty Act Program (LODA) OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2021, the University reported a liability of \$369,772 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2020 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The University’s proportion of the Net LODA OPEB Liability was based on the University’s actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2020, the University’s proportion was 0.08829% as compared to 0.09465 % at June 30, 2019.

For the year ended June 30, 2021, the University recognized LODA OPEB expense of \$27,520. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,252	\$ 50,411
Net difference between projected and actual earnings on LODA OPEB program investments	-	526
Change in assumptions	98,991	23,043
Changes in proportionate share	-	39,423
Employer contributions subsequent to the measurement date	14,346	
Total	<u>\$ 152,589</u>	<u>\$ 113,403</u>

\$14,346 reported as deferred outflows of resources related to the LODA OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

For the year ending	Amount
June 30, 2022	\$ 2,331
June 30, 2023	\$ 2,428
June 30, 2024	\$ 2,532
June 30, 2025	\$ 2,562
June 30, 2026	\$ 2,595
Thereafter	\$ 12,392

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation –	
General state employees	N/A
SPORS employees	N/A
VaLORS employees	N/A
Locality employees	N/A
Medical cost trend rates assumption –	
Under age 65	7.00% – 4.75%
Ages 65 and older	5.375% – 4.75%
Year of ultimate trend rate	
Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023

Investment rate of return

2.21%, including inflation*

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return.

Mortality rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Mortality rates – SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality rates – VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Mortality rates – Largest Ten Locality Employers With Public Safety Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality rates – Non-Largest Ten Locality Employers With Public Safety Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2020, NOL amounts for the Line of Duty Act Program (LODA) are as follows (amounts expressed in thousands):

	Line of Duty Act Program
Total LODA OPEB Liability	\$ 423,147
Plan Fiduciary Net Position	4,333
LODA Net OPEB Liability (Asset)	<u>\$ 418,814</u>

Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.02%
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The total LODA OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 2.21% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments' 6.75% assumption. Instead, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2020.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 2.21%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

	1.00% Decrease (1.21%)	Current Discount Rate (2.21%)	1.00% Increase (3.21%)
Covered employer's proportionate share of the Total LODA Net OPEB Liability	\$ 438,914	\$ 369,772	\$ 317,654

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the Line of Duty Act Program (LODA) contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using health care trend rate of 7.00% decreasing to 4.75%, as well as what the employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

1.00% Decrease (6.00% decreasing to 3.75%)	Health Care Trend Rates (7.00% decreasing to 4.75%)	1.00% Increase (8.00% decreasing to 5.75%)
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Covered employer's proportionate share of the Total LODA Net OPEB Liability	\$ 305,629	\$ 369,772	\$ 453,671
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LODA OPEB Plan Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

General Information about the Pre-Medicare Retiree Healthcare Program

The Commonwealth provides a healthcare plan established by Title 2.2, Chapter 28 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare. Eligibility requirements for Virginia Retirement System (VRS) retirees are as follows:

- the participant must be a retiring state employee who is eligible for a monthly retirement benefit from the VRS, and
- starts receiving (does not defer) the retirement benefit immediately upon retirement*; and
- his or her last employer before retirement was the Commonwealth of Virginia, and
- he or she was eligible for (even if not enrolled) coverage as an active employee in the State Health Benefits Program until his or her retirement date (not including Extended Coverage/COBRA), and,
- he or she enrolls no later than 31 days from his or her retirement date.

*For VRS retirees, this means that their employing agency reported a retirement contribution or leave without pay status for retirement in the month immediately prior to their retirement date. Some faculty members may also be eligible if they are paid on an alternate pay cycle but maintain eligibility for active coverage until their retirement date.

Effective January 1, 2017**, the following are eligibility requirements for Optional Retirement Plan retirees:

- he or she is a terminating state employee who participates in one of the qualified Optional Retirement Plans (ORP), and
- the last employer before termination was the Commonwealth of Virginia, and
- was eligible for (even if not enrolled) coverage in the State Employee Health Benefits Program for active employees at the time of termination, and
- he or she meets the age and service requirements for an immediate retirement benefit under the non-ORP Virginia Retirement System plan that he or she would have been eligible for on their date of hire had they not elected the ORP, and
- they enroll in the State Retiree Health Benefits Program no later than 31 days from the date they lose coverage (or lose eligibility for coverage) in the State Health Benefits Program for active employees due to their termination of employment.

**This change applies to ORP terminations effective January 1, 2017, or later. Eligibility for those who terminated employment prior to January 1 should be determined based on the policy in place at the time of their termination.

The employer does not pay a portion of the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, this generally results in a higher rate for active employees. Therefore, the employer effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. There were approximately 4,400 retirees and 90,000 active employees in the program in fiscal year 2020. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

Actuarial Assumptions and Methods

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2020. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 6.75 percent for medical and pharmacy and 4.00 percent for dental. The ultimate trend rates used were 4.50 percent for medical and pharmacy and 4.00 percent for dental.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported
Measurement Date	June 30, 2020 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	6.34 years
Discount Rate	2.21%
Projected Salary Increases	4.0%
Medical Trend Under 65	Medical & Rx: 6.75% to 4.50% Dental: 4.00%
Year of Ultimate Trend	2029

Mortality rates – Mortality rates vary by participant status

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.50% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2020.

Changes of Assumptions: The following actuarial assumptions were updated since the June 30, 2019 valuation based on recent experience:

- Spousal Coverage – reduced the rate from 25% to 20%
- Retiree Participation – reduced the rate from 50% to 45%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect mortality improvement projection Scale BB, including age over 65 in pre-retirement mortality base rates.

No excise tax has been reflected due to the SECURE Act. Among the provisions was a repeal of three taxes and fees that were originally intended to help fund the Affordable Care Act (ACA): i) the excise tax on high-cost health plans (Cadillac tax); ii) the annual fee on health insurance providers; and iii) the medical device excise tax.

The trend rates were updated based on economic conditions as of June 30, 2020. Additionally, the discount rate was decreased from 3.51% to 2.21% based on the Bond Buyers GO 20 Municipal Bond Index.

Pre-Medicare Retiree Healthcare OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2021, the University reported a liability of \$5,629,893 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of \$568.8 million. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2020. The covered employer's proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on each employer's calculated healthcare premium contributions, to include the October premium holiday amounts, as a percentage of the total employer's calculated healthcare premium contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.98974% as compared to 0.98222% at June 30, 2019. For the year ended June 30, 2021, the participating employer recognized Pre-Medicare Retiree Healthcare OPEB expense of \$1,185,393.

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$ 2,866,398
Changes in assumptions	-	4,609,845
Changes in proportion	734,408	-
Subtotal	734,408	7,476,243
Amounts associated with transactions subsequent to the measurement date	366,597	N/A
Total	<u>\$ 1,101,005</u>	<u>\$ 7,476,243</u>

\$366,597 reported as deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre-Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows:

For the year ending	Amount
June 30, 2022	\$ (1,907,634)
June 30, 2023	\$ (1,907,634)
June 30, 2024	\$ (1,598,148)
June 30, 2025	\$ (890,623)
June 30, 2026	\$ (362,017)
Thereafter	\$ (75,779)

Sensitivity of the Employer's Proportionate Share of the OPEB Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 2.21%, as well as what the University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

	1.00% Decrease (1.21%)	Current Rate (2.21%)	1.00% Increase (3.21%)
Employer's proportionate share of the Total Pre-Medicare Retiree Healthcare OPEB Liability	\$ 5,924,246	\$ 5,629,893	\$ 5,331,550

Sensitivity of the Employer's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using healthcare cost trend rate of 6.75% decreasing to 4.50%, as well as what the University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (5.75% decreasing to 3.50%) or one percentage point higher (7.75% decreasing to 5.50%) than the current rate:

		Trend Rates		
		1.00% Decrease (5.75% decreasing to 3.50%)	(6.75% decreasing to 4.50%)	1.00% Increase (7.75% decreasing to 5.50%)
Employer's proportionate share of the Total Pre-Medicare Retiree Healthcare OPEB Liability		\$ 5,046,740	\$ 5,629,893	\$ 6,313,850

13. CONTINGENCIES

Grants and Contracts

Christopher Newport University has received federal, state and private grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal laws, including the expenditure of resources for eligible purposes. Any disallowance resulting from a federal audit may become a liability of the University.

In addition, the University is required to comply with various federal regulations issued by the Office of Management and Budget. Failure to comply with certain systems requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. As of June 30, 2021, the University estimates that no material liabilities will result from such audits or questions.

14. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

The University is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees and athletes; and natural disasters. The University participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. For athletes, the University maintains insurance through a third-party provider. The University's insurance premiums for the fiscal year ended June 30, 2021 totaled \$937,987. Information relating to the Commonwealth's insurance plans is available at the statewide level in the *Commonwealth's Annual Comprehensive Financial Report*.

15. FEDERAL DIRECT LENDING PROGRAM

The University participates in the Federal Direct Lending Program. Under this program, the University receives funds from the U.S. Department of Education for Stafford and Parent PLUS Loan Programs and disburses these funds to eligible students. The funds can be applied to outstanding student tuition and fee charges or refunded directly to the student.

These loan programs are treated as student payments with the University acting as a fiduciary agent for the student. Therefore, the receipt of the funds from the federal government is not reflected in the federal government grants and contracts total on the Statement of Revenues, Expenses, and Changes in Net Position. The activity is included in the noncapital financing section of the Statement of Cash Flows. For the fiscal year ended June 30, 2021 cash used totaled \$20,942,896 for Stafford and \$7,722,379 for PLUS Loan Programs.

16. SUBSEQUENT EVENTS

There are no subsequent events requiring disclosure.

17. COMPONENT UNITS

Cash and Investments

The Education Foundation and the Real Estate Foundation consider all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents. The following information is provided with respect to the credit risk associated with the Foundations' cash and cash equivalents and investments at June 30, 2021.

The Foundations follow FASB ASC 958-815, *Derivatives and Hedging*, which establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and hedging activities.

The Foundations have financial instruments that are subject to interest rate risk, consisting of debt obligations issued at variable and fixed rates. The Foundations utilized derivative financial instruments to reduce exposure to market risks from changes in interest rates. By entering into interest rate swaps, the Foundations limited exposure to changes in variable interest rates. The Foundations were exposed to credit related losses in the event of non-performance by the counter-party to the interest rate swaps; however, the counter-party is a major financial institution and the risk of loss due to non-performance is considered remote. The Foundations formally document all hedging relationships, if applicable, and assess hedge effectiveness both at inception and on an ongoing basis.

Financial instruments that potentially subject the Foundations to concentrations of credit risk consist of cash balances and overnight investments. The Foundations maintain operating accounts in excess of the \$250,000 limit of federal insurance with financial institutions. In addition, the Foundations maintain cash balances with brokers that are not insured by the FDIC.

Other investments were held in accounts with brokerage firms to reduce the Foundations' risk. The balances are insured by the Securities Investor Protection Corporation (SIPC) up to a maximum of \$500,000. At times, balances in the Foundations' cash accounts may exceed the SIPC insured levels.

Investments are carried at their estimated fair value determined at the date of the combined statement of financial position. Because some investment valuations at June 30 are not available on a timely basis, certain private equity and hedge funds are valued using March 31 valuations, adjusted for any purchase or sale activity in the fourth fiscal quarter. In addition, due to the absence of readily determinable market values, management estimates fair value based on a broad range of factors, including but not limited to, the price at which the investment was acquired, the nature of the investment, comparable private and public investments used to determine enterprise value, overall financial condition, current and projected operating performance and discounted cash flow models. Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material. Management believes the carrying value of these investments is a reasonable estimate of their fair value at June 30. Income from investments, including realized gains and losses, is accounted for as an increase or decrease in unrestricted, temporarily restricted, or permanently restricted net assets, depending upon the nature of donor restrictions.

Summarized below are Education Foundation investments recorded at estimated fair value:

Mutual Funds	\$ 5,815,434
Private Equity Funds	14,173,971
Hedge Funds	40,717,679
Total investments	<u>\$ 60,707,084</u>

Education Foundation investments are recorded on the statement of financial position as follows:

Without Donor Restrictions	\$ 3,108,222
With Donor Restrictions	<u>57,598,862</u>
Total investments	<u>\$ 60,707,084</u>

Fair Value of Financial Instruments

The Foundations have adopted the provisions of FASB ASC 820-10, *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value.

ASC 820-55 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Foundations have no Level 2 financial instruments.

The following table presents the financial instruments carried at fair value on a recurring basis as of June 30, 2021 by ASC 820-55 valuation hierarchy defined above:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Assets:			
Mutual Funds	\$ 5,815,434	\$ -	\$ 5,815,434
Charitable Remainder Trusts	-	2,681,827	2,681,827
Total assets in the fair value hierarchy	<u>\$ 5,815,434</u>	<u>\$2,681,827</u>	8,497,261
Investments measured at net asset value			57,512,610
Total assets at fair value			<u>\$ 66,009,871</u>

Following is a description of the Foundations' valuation methodologies for assets and liabilities measured at fair value. Fair value for Level 1 is based upon quoted market prices. Fair value for Level 3 consists of charitable remainder trusts. Investments measured at net asset value are valued based on the net asset value reported by such investment vehicles.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundations believe its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The fair value measurements of investments in vehicles that calculate net asset value as of June 30, 2021 are disclosed below:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Global Equity	\$ 23,125,490	\$ -	Quarterly	105 Days
Hedged Equity	9,842,474	-	Quarterly	105 Days
Absolute Strategies	7,077,460	299,000	Quarterly	105 Days
Fixed Income	3,293,215	-	Quarterly	105 Days
Private Investments	12,447,951	7,255,872	Not Applicable	None
Real Estate	1,726,020	-	Not Applicable	None
Total	<u>\$ 57,512,610</u>	<u>\$ 7,554,872</u>		

The Global Equity asset class seeks to outperform the broad equity markets over a full market cycle by providing relative downside protection and participating in upward-moving markets. That said, it should be expected that the strategies implemented in this asset class are generally unhedged. Capital is allocated across the globe in those countries, market capitalizations and asset classes that offer value with a primary objective of capital appreciation.

The Hedged Equity asset class seeks to generate equity-like returns with significantly less volatility over a full market cycle. Managers generally maintain long and short positions, primarily in equities across sectors, geographies and market capitalizations.

The Absolute Strategies asset class seeks to generate absolute investment returns with low volatility. Generally speaking, there are two primary components to the asset class: credit and multi-strategy. Credit managers include publicly and privately traded credit and credit-related securities. Multi-strategy managers allocate capital opportunistically across a broad array of investments including equities, credit, commodities, structured products, currencies, etc.

The Fixed Income asset class seeks to exhibit a low correlation with other asset classes and serve as a hedge against inflation. Investments may include, but are not limited to, U.S. dollar- denominated bonds; including U.S. Treasury and Agency securities, mortgage-backed and asset- backed securities; U.S. and non-U.S. domiciled corporations; and sovereign and supranational issuers.

The Private Investments and Real Estate asset classes seek to provide a portfolio with diversification and an illiquidity premium. Investment opportunities are sought within the sub-strategies of private equity, private real estate and private real assets.

The following table is a roll forward of the combined statements of financial position amounts for charitable remainder trusts classified by the Education Foundation within Level 3 of the valuation hierarchy defined above as of June 30, 2021:

Fair value, beginning of year	\$ 2,219,561
Realized and unrealized gains	<u>462,266</u>
Fair value, end of year	<u>\$ 2,681,827</u>

The carrying amounts of cash and cash equivalents, accounts payable, other current liabilities and other liabilities approximate fair value because of the short maturity of these instruments.

Pledges Receivable

The Education Foundation has on-going fundraising campaigns to benefit the University. The pledges receivable are unconditional. At June 30, 2021, pledges receivable are as follows:

Receivable in less than one year	\$ 3,220,124
Receivable in one to five years	4,592,208
Receivable in more than five years	<u>7,677,332</u>
Total unconditional pledges	15,489,664
Less discount to net present value	(3,045,585)
Less allowances for uncollectible pledges receivable	<u>(352,468)</u>
Net unconditional pledges receivable	<u>\$ 12,091,611</u>

The table below presents information about the changes in pledges receivable for the year ended June 30, 2021:

Beginning balance	\$ 16,702,084
New pledges receivable	2,018,775
Collections	(3,202,113)
Write-offs	<u>(29,082)</u>
Ending balance	<u>\$ 15,489,664</u>

The carrying amounts of pledges receivable approximate fair value because they have been discounted to their net present value. After initial measurement at fair value, the discount rate is not changed and the pledge is valued in subsequent years at net realizable value. The discount rate employed by the Foundations for new pledges during the year ended June 30 are as follows:

2020-2021	3.25%
2019	5.50%
2018	4.75%
2017	4.00%
2016	3.50%
2012-2015	3.25%
Prior to 2012	6.00%

Property and Equipment

Property and equipment for 2021 are summarized as follows:

	Education Foundation	Real Estate Foundation
Land	\$ -	\$ 19,822,856
Buildings	-	122,036,458
Furniture and equipment	191,016	1,976,051
Held for sale	19,600	-
Construction in progress	-	973,111
	<u>\$ 210,616</u>	<u>\$ 144,808,476</u>
Less accumulated depreciation	<u>(141,864)</u>	<u>(39,780,992)</u>
	<u>\$ 68,752</u>	<u>\$ 105,027,484</u>

Education Foundation depreciation charged to expense totaled \$16,851 in 2021. Real Estate Foundation depreciation charged to expense totaled \$3,820,605 in 2021; capitalized interest was \$383,486.

Lines of Credit

The Real Estate Foundation has available two lines of credit facilities of \$4,500,000 and \$2,000,000 with TowneBank. The lines of credit mature in February 2022. The lines are unsecured and are subject to certain financial covenants. Borrowings under these facilities accrue interest at the *Wall Street Journal* Prime Rate less 0.25% with a minimum rate of 3.00%. This amount was 3.00% at June 30, 2021. The credit facilities may be used to finance any lawful activity of the Foundations.

Long Term Debt

Notes Payable

Notes payable for the Real Estate Foundation at June 30, 2021 consist of the following:

Old Point National Bank, collateralized by deed of trust on leasehold interest and assignment of rents and leases, accruing interest is at the <i>Wall Street Journal</i> (WSJ) prime rate less 0.25% with a maximum rate of 5.75%, adjusted annually on August 1. The interest rate at June 30, 2021 was 3.00%. Principal payments of \$12,815 are due monthly and the note matures August 2029.	\$ 951,286
Towne Bank, collateralized by deed of trust on 12270 Warwick Boulevard, interest due monthly at the WSJ prime rate plus 0.5%, subject to a maximum rate of 6.5%. The interest rate at June 30, 2021 was 3.75%. Principal and interest payments of \$14,238 are due monthly with the balance due July 2032.	1,677,074
CGA Mortgage Capital, collateralized by a deed of trust on leasehold interest and assignment of rents and leases on Riverside Medical Center located at 12422 Warwick Boulevard and 4 and 8 Glendale Road, interest due monthly at 4.74%. Principal and interest payments of \$74,875 are due monthly with the balance due December 2033.	8,462,990
Atlantic Union Bank, unsecured, interest due monthly at the WSJ prime rate minus 0.25%. The interest rate at June 30, 2021 was 3.00%. Principal is due annually each August beginning in 2016 at various amounts between \$42,000 and \$52,600, balance is due June 2025.	1,110,650
Towne Bank, collateralized by deed of trust on leasehold interest and assignment of rents and leases on Hidenwood Shopping Center located at 2 Hidenwood Boulevard, 12423, 12435, and 12437 Warwick Boulevard, interest due monthly at 3.50%. Monthly principal and interest payments of \$55,966, balance due November 2043.	10,368,837
Atlantic Union Bank, collateralized by 12386 Warwick Boulevard, interest due monthly at 3.99%. Equal consecutive monthly payments of principal plus interest over a 25-year amortization period. Balance is due November 2028.	2,042,308
Less unamortized debt issuance costs	<u>(509,523)</u>
Total	<u><u>\$24,103,622</u></u>

Bonds Payable

In March 2001, the Real Estate Foundation entered into an agreement with the Economic Development Authority of the County of James City, Virginia, under which the Authority issued \$8.0 million of variable rate bank-qualified tax-exempt bonds. The Foundation used the proceeds from the bonds to finance the acquisition of various properties in the immediate vicinity of the University deemed essential for its enhancement and future expansion. The bonds were refinanced in June 2016 at a fixed rate of 2.68%. Principal payments of \$6,000 are paid monthly and interest due is paid monthly. At June 30, 2021, the balance outstanding on the bonds was \$2,270,119. The bonds mature in June 2026.

In November 2001, the Real Estate Foundation entered into an agreement with the Economic Development Authority of New Kent County, Virginia, under which the Authority issued \$10.0 million of variable rate bank-qualified tax-exempt bonds. The Foundation used the proceeds from the bonds to finance the acquisition of various properties in the immediate vicinity of the University deemed essential for its enhancement and future expansion. In December 2018, the bonds were refinanced through the Economic Development Authority of Newport News at a rate of 3.85%. Principal payments of \$31,145 and interest are paid monthly. At June 30, 2021, the balance outstanding on the bonds was \$4,640,395. The bonds mature in December 2023.

In July 2002, the Real Estate Foundation entered into an agreement with the Economic Development Authority of New Kent County, Virginia, under which the Authority issued \$5.5 million of variable rate bank-qualified tax-exempt bonds. The Foundation used the proceeds from the bonds to finance the acquisition of various properties in the immediate vicinity of the University deemed essential for its enhancement and future expansion. In December 2018, the bonds were refinanced through the Economic Development Authority of Newport News at a rate of 3.85%. Principal payments of \$17,748 are paid monthly and interest due is paid monthly. At June 30, 2021, the balance outstanding on the bonds was \$2,644,222. The bonds mature in December 2023.

In July 2004, the Real Estate Foundation entered into an agreement with the Industrial Development Authority of the City of Newport News, Virginia, under which the Authority issued \$26.9 million of variable rate bank-qualified tax-exempt bonds. The Foundation used the proceeds from the bonds to finance the acquisition of various properties in the immediate vicinity of the University deemed essential for its enhancement and future expansion. The bonds were payable interest only until November 2005 at 67% of London Inter-bank Offered Rate (LIBOR), at which time principal curtailments began. In January 2020, the bonds were refinanced at a rate of 2.53% and an additional \$2,300,000 in debt was added. Principal and interest payments of \$135,136 are paid monthly. At June 30, 2021, the balance outstanding on the bonds was \$18,486,148. The bonds mature November 2035.

In August 2006, the Real Estate Foundation entered into an agreement with the Industrial Development Authority of the City of Newport News, Virginia, under which the Authority issued \$17.5 million of tax-exempt adjustable mode educational facilities revenue bonds. The Foundation used the proceeds from the bonds to refinance indebtedness of the Foundations in connection with the expansion and improvement of various properties in the immediate vicinity of the University deemed essential for its enhancement and future expansion. In June 2015, the bonds were refinanced with the Economic Development Authority of Newport News at a variable interest rate of 65% of LIBOR plus 1.5% with a cap of 3.5% until June 1, 2022 and 3.82% thereafter. The interest rate at June 30, 2021 was 1.57%. Principal payments vary and are paid annually in August and interest due is paid quarterly. At June 30, 2021, the balance outstanding on the bonds was \$5,681,500. The bonds mature in August 2036.

In November 2013, the Real Estate Foundation entered into an agreement with the Industrial Development Authority of the City of Newport News, Virginia, under which the Authority issued \$41.29 million of tax-exempt adjustable mode educational facilities revenue bonds. The Foundation used the proceeds from the bonds to refinance indebtedness of the Foundations in connection with Rappahannock Residence Hall. The interest rate on the bonds is 65% of LIBOR plus 1.6% with a floor of 1.92% and a cap of 4.5%. The interest rate at June 30, 2021 was 1.92%. Principal payments of \$68,000 are paid monthly and interest due is paid monthly. At June 30, 2021, the balance outstanding on the bonds was \$30,709,464. The bonds mature in November 2043.

In December 2019, the Real Estate Foundation entered into an agreement with the Industrial Development Authority of the City of Newport News, Virginia, under which the Authority issued \$14.0 million of tax-exempt adjustable mode educational facilities revenue bonds. The Foundation used the proceeds from the bonds to finance construction and related costs of the Foundation in connection with the new President's Residence Hall. The interest rate on the bonds is 2.90%. Monthly payments of \$66,117 for principal and interest began in January 2021. At June 30, 2021, the balance outstanding on the bonds was \$12,668,712. The bonds mature in December 2045.

Unamortized debt issuance costs for bonds payable at June 30, 2021 was \$1,843,683.

The Real Estate Foundation has entered into various letters of credit and credit line deeds of trust as additional security for each of the bond issuances. In addition, some of the note and bond payable agreements contain certain financial covenants pertaining to debt service coverage and lease payment coverage.

Notes and bond principal maturities for the succeeding fiscal years ending June 30 are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 4,731,883
2023	10,973,651
2024	4,372,889
2025	5,355,928
2026	8,288,988
Thereafter	67,990,366
	<u>\$ 101,713,705</u>

Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closure for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Foundations operate. On March 27, 2020, the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Foundations. To date, the Foundations are experiencing a slight decline in commercial rent revenues and minor delays in the receipt of pledge payments. The Foundations' concentrations due to the master lease agreement with the University and the large concentration of pledges receivable with only a single donor make it reasonably possible that they are vulnerable to the risk of a near-term severe impact. For the year ended June 30, 2021, approximately 27% of total revenues were derived from a master lease agreement with the University. Pledges receivable at June 30, 2021 include amounts from a single donor and represent approximately 44% of the pledges receivable balance. Nearly all pledges receivable are from donors in close geographic proximity to the University. These concentrations make it reasonably possible that the Foundations are vulnerable to the risk of a near-term severe impact. Additionally, it is reasonably possible that estimates made in the Foundations' financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including mainly the timing of the payments of pledges receivable. The Foundations do not expect to recognize any tax benefits from the CARES Act.

Subsequent Events

In September 2021, the Real Estate Foundation demolished the structures on 23, 25, 27-29 and 36 Sweetbriar. The cost of abatement, demolition and legal disposal of these structures was \$57,806. The book value of the buildings and land was \$327,846 and \$373,465 respectively. No development is currently planned on these properties in FY22.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Cost-Sharing Employer Plans –
VRS State Employee Retirement Plan and VaLORS Retirement Plan
For the Fiscal Year Ended June 30, 2021

Schedule of Christopher Newport University's Share of Net Pension Liability

VRS State Employee Retirement Plan

For the Years Ended June 30, 2021, 2020, 2019, 2018, 2017, 2016 and 2015*

	Proportion of Net Pension Liability (Asset)	Proportionate Share of Net Pension Liability (Asset)	Employer's Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2021	0.72%	\$ 52,080,385	\$ 31,520,533	165.23%	72.15%
2020	0.72%	\$ 45,484,379	\$ 29,823,358	152.51%	75.13%
2019	0.69%	\$ 37,321,000	\$ 28,244,448	132.14%	77.39%
2018	0.68%	\$ 39,863,000	\$ 27,041,060	147.42%	75.33%
2017	0.67%	\$ 44,560,000	\$ 26,521,211	168.02%	71.29%
2016	0.66%	\$ 40,702,000	\$ 25,863,124	157.37%	72.81%
2015	0.62%	\$ 34,952,000	\$ 23,839,726	146.61%	74.28%

* The amounts presented have a measurement date of the previous fiscal year end.

Schedule is intended to show information for 10 years. Since 2021 is the seventh year for this presentation, there are only seven years available. However, additional years will be included as they become available.

Schedule of Christopher Newport University's Share of Net Pension Liability

VaLORS Retirement Plan

For the Years Ended June 30, 2021, 2020, 2019, 2018, 2017, 2016 and 2015*

	Proportion of Net Pension Liability (Asset)	Proportionate Share of Net Pension Liability (Asset)	Employer's Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2021	0.27%	\$ 2,138,761	\$ 1,005,516	212.70%	65.74%
2020	0.26%	\$ 1,791,650	\$ 983,656	182.14%	68.31%
2019	0.27%	\$ 1,697,000	\$ 961,097	176.57%	69.56%
2018	0.26%	\$ 1,720,000	\$ 976,185	176.20%	67.22%
2017	0.29%	\$ 2,266,000	\$ 1,005,098	225.45%	61.01%
2016	0.27%	\$ 1,911,000	\$ 903,094	211.61%	62.64%
2015	0.24%	\$ 1,621,000	\$ 842,938	192.30%	63.05%

* The amounts presented have a measurement date of the previous fiscal year end.

Schedule is intended to show information for 10 years. Since 2021 is the seventh year for this presentation, there are only seven years available. However, additional years will be included as they become available.

Schedule of Employer Contributions VRS State Employees Retirement Plan For the Years Ended June 30, 2012 through 2021						
Year Ended	Contributions in			Contributions		
	Relation to			as a % of		
June 30	Contractually	Contractually	Contribution	Employer's	Covered	Covered
	Required	Required	Deficiency	Covered	Payroll	Payroll
	Contribution	Contribution	(Excess)	Payroll		
2021	\$ 4,493,970	\$ 4,493,970	\$ -	\$ 31,078,631		14.46%
2020	\$ 4,261,576	\$ 4,261,576	\$ -	\$ 31,520,533		13.52%
2019	\$ 4,032,118	\$ 4,032,118	\$ -	\$ 29,823,358		13.52%
2018	\$ 3,810,176	\$ 3,810,176	\$ -	\$ 28,244,448		13.49%
2017	\$ 3,647,839	\$ 3,647,839	\$ -	\$ 27,041,060		13.49%
2016	\$ 3,708,441	\$ 3,708,441	\$ -	\$ 26,521,211		13.98%
2015	\$ 3,122,860	\$ 3,122,860	\$ -	\$ 25,863,124		12.07%
2014	\$ 2,106,422	\$ 2,106,422	\$ -	\$ 23,839,726		8.84%
2013	\$ 2,223,079	\$ 2,223,079	\$ -	\$ 23,472,417		9.47%
2012	\$ 1,845,016	\$ 1,845,016	\$ -	\$ 21,730,079		8.49%

Schedule of Employer Contributions VaLORS State Employees Retirement Plan For the Years Ended June 30, 2012 through 2021						
Year Ended	Contributions in			Contributions		
	Relation to			as a % of		
June 30	Contractually	Contractually	Contribution	Employer's	Covered	Covered
	Required	Required	Deficiency	Covered	Payroll	Payroll
	Contribution	Contribution	(Excess)	Payroll		
2021	\$ 205,138	\$ 205,138	\$ -	\$ 936,703		21.90%
2020	\$ 217,292	\$ 217,292	\$ -	\$ 1,005,516		21.61%
2019	\$ 212,568	\$ 212,568	\$ -	\$ 983,656		21.61%
2018	\$ 202,311	\$ 202,311	\$ -	\$ 961,097		21.05%
2017	\$ 205,487	\$ 205,487	\$ -	\$ 976,185		21.05%
2016	\$ 189,817	\$ 189,817	\$ -	\$ 1,005,098		18.89%
2015	\$ 160,516	\$ 160,516	\$ -	\$ 903,094		17.77%
2014	\$ 126,032	\$ 126,032	\$ -	\$ 842,938		14.95%
2013	\$ 122,117	\$ 122,117	\$ -	\$ 820,404		14.88%
2012	\$ 45,656	\$ 45,656	\$ -	\$ 641,626		7.12%

**Notes to Required Supplementary Information
For the Year Ended June 30, 2021**

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

The following changes in actuarial assumptions were made for the VaLORS Retirement Plan effective June effective June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

**Required Supplementary Information
For Other Post-Employment Benefit Plans
For the Fiscal Year Ended June 30, 2021**

Schedule of Christopher Newport University's Share of Net OPEB Liability (Asset) For the Fiscal Years Ended June 30, 2021, 2020, 2019 and 2018*						
Plan	Date	Proportion of Net OPEB Liability (Asset)	Proportionate Share of Net OPEB Liability (Asset)	Employer's Covered Payroll**	Proportionate Share of Net OPEB Liability (Asset) as a Percentage of Covered Payroll**	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
GLI	2021	0.29%	\$ 4,886,519	\$ 60,706,538	8.05%	52.64%
GLI	2020	0.29%	\$ 4,727,045	\$ 57,390,577	8.24%	52.00%
GLI	2019	0.29%	\$ 4,358,000	\$ 56,731,346	7.68%	51.22%
GLI	2018	0.27%	\$ 4,204,000	\$ 51,599,808	8.15%	48.86%
HIC	2021	0.83%	\$ 7,662,230	\$ 60,063,932	12.76%	12.02%
HIC	2020	0.84%	\$ 7,710,415	\$ 56,925,299	13.54%	10.56%
HIC	2019	0.81%	\$ 7,391,000	\$ 56,282,881	13.13%	9.51%
HIC	2018	0.79%	\$ 7,252,000	\$ 51,109,492	14.19%	8.03%
LODA	2021	0.09%	\$ 369,772	\$ 1,122,796	32.93%	1.02%
LODA	2020	0.09%	\$ 339,591	\$ 1,107,679	30.66%	0.79%
LODA	2019	0.10%	\$ 300,000	\$ 1,085,905	27.63%	0.60%
LODA	2018	0.11%	\$ 276,000	\$ 1,097,450	25.15%	1.30%
VSDP	2021	(0.71%)	\$ (1,576,112)	\$ 30,666,935	(5.14%)	181.88%
VSDP	2020	(0.72%)	\$ (1,410,035)	\$ 28,835,484	(4.89%)	167.18%
VSDP	2019	(0.69%)	\$ (1,554,000)	\$ 28,118,333	(5.53%)	194.74%
VSDP	2018	(0.68%)	\$ (1,412,000)	\$ 25,590,152	(5.52%)	186.63%
* The amounts presented have a measurement date of the previous fiscal year end.						
** The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.						
Schedule is intended to show information for 10 years. Since 2021 is the fourth year for this presentation, no other data is available. However, additional years will be included as they become available.						

**Schedule of Christopher Newport University's Share of Total
Pre-Medicare Retiree Healthcare Program (PMRH) Liability
For the Fiscal Years Ended June 30, 2021, 2020, 2019 and 2018***

Plan	Date	Proportion of Total OPEB Liability	Proportionate Share of Total OPEB Liability	Employer's Covered- Employee Payroll	Proportionate Share of PMRH Liability as a Percentage of Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
PMRH	2021	0.99%	\$ 5,629,893	\$ 65,041,864	8.66%	N/A
PMRH	2020	0.98%	\$ 6,668,084	\$ 61,690,493	10.81%	N/A
PMRH	2019	0.95%	\$ 9,583,154	\$ 59,065,851	16.22%	N/A
PMRH	2018	0.93%	\$ 12,087,409	\$ 56,507,947	21.39%	N/A

* The amounts presented have a measurement date of the previous fiscal year end.

Schedule is intended to show information for 10 years. Since 2021 is the fourth year for this presentation, no other data is available. However, additional years will be included as they become available.

**Schedule of Christopher Newport University's OPEB Contributions
For the Years Ended June 30, 2018 through 2021**

	Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	*Employer's Covered Payroll	*Contributions as a % of Covered Payroll
GLI	2021	\$ 319,833	\$ 319,833	\$ -	\$ 59,228,333	0.54%
GLI	2020	\$ 315,674	\$ 315,674	\$ -	\$ 60,706,538	0.52%
GLI	2019	\$ 298,431	\$ 298,431	\$ -	\$ 57,390,577	0.52%
GLI	2018	\$ 295,003	\$ 295,003	\$ -	\$ 56,731,346	0.52%
HIC	2021	\$ 668,779	\$ 668,779	\$ -	\$ 59,712,411	1.12%
HIC	2020	\$ 702,748	\$ 702,748	\$ -	\$ 60,063,932	1.17%
HIC	2019	\$ 666,026	\$ 666,026	\$ -	\$ 56,925,299	1.17%
HIC	2018	\$ 664,138	\$ 664,138	\$ -	\$ 56,282,881	1.18%
LODA	2021	\$ 14,346	\$ 14,346	\$ -	\$ 1,025,259	1.40%
LODA	2020	\$ 11,998	\$ 11,998	\$ -	\$ 1,122,796	1.07%
LODA	2019	\$ 12,704	\$ 12,704	\$ -	\$ 1,107,679	1.15%
LODA	2018	\$ 10,213	\$ 10,213	\$ -	\$ 1,085,905	0.94%
VSDP	2021	\$ 185,846	\$ 185,846	\$ -	\$ 30,466,557	0.61%
VSDP	2020	\$ 190,135	\$ 190,135	\$ -	\$ 30,666,935	0.62%
VSDP	2019	\$ 178,780	\$ 178,780	\$ -	\$ 28,835,484	0.62%
VSDP	2018	\$ 185,581	\$ 185,581	\$ -	\$ 28,118,333	0.66%

** The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan.*

Schedule is intended to show information for 10 years. Since 2021 is the fourth year for this presentation, no other data is available. However, additional years will be included as they become available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2021**

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

General State Employees (GLI, HIC, LODA, VSDP):

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate (does not apply to LODA)	Decrease rate from 7.00% to 6.75%

Teachers (GLI):

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

SPORS Employees (GLI, HIC, LODA, VSDP):

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate (does not apply to LODA)	Decrease rate from 7.00% to 6.75%

VaLORS Employees (GLI, HIC, LODA, VSDP):

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate (does not apply to LODA)	Decrease rate from 7.00% to 6.75%

JRS Employees (GLI, HIC):

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Largest 10 Locality Employers – General Employees (GLI):

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

Non-Largest 10 Locality Employers – General Employees (GLI):

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Largest 10 Locality Employers – Hazardous Duty Employees (GLI):

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%

Non-Largest 10 Locality Employers – Hazardous Duty Employees (GLI):

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

Employees in the Largest 10 Locality Employers With Public Safety Employees (LODA):

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 70%

Employees in the Non-Largest 10 Locality Employers With Public Safety Employees (LODA):

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%

PMRH:

There are no assets accumulated in a trust to pay related benefits.

Changes of benefit terms – There have been no changes to the benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following actuarial assumptions were updated since the June 30, 2018 valuation based on recent experience:

- Spousal Coverage – reduced the rate from 25% to 20%
- Retiree Participation - reduced the rate from 50% to 45%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect mortality improvement projection scale BB, include age over 65 in pre-retirement mortality base rates.

No excise tax has been reflected due to the SECURE Act. Among provisions was a repeal of three taxes and fees that were originally intended to help fund the Affordable Care Act (ACA): i) the excise tax on high-cost health plans (Cadillac tax); ii) the annual fee on health insurance providers; and iii) the medical device excise tax.

The trend rates were updated based on economic conditions as of 6/30/2020. Additionally, the discount rate was decreased from 3.51% to 2.21% based on the Bond Buyers GO 20 Municipal Bond Index.

INDEPENDENT AUDITOR'S REPORT



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 27, 2022

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Visitors
Christopher Newport University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of **Christopher Newport University** (University), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units of the University, which are discussed in Notes 1 and 17. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component units of the University that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component units of the University as of June 30, 2021, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 1 through 11; the Schedule of Christopher Newport University's Share of Net Pension Liability, the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information on pages 87 through 89; the Schedule of Christopher Newport University's Share of Net OPEB Liability (Asset), the Schedule of Christopher Newport University's OPEB Contributions, and the Notes to the Required Supplementary Information for the Health Insurance Credit, Group Life Insurance, Disability Insurance and Line of Duty programs on pages 90 through 95; and the Schedule of Christopher Newport University's Share of Total Pre-Medicare Retiree Healthcare Program (PMRH) Liability and the

Notes to the Required Supplementary Information for PMRH on pages 91 and 95. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 27, 2022, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

LCW/vks

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Newport News, Virginia

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